



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

Ministerial Briefing

18 February 2014

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 William Irwin
Mr Declan McAleer
Miss Michelle McIlveen
Mr Oliver McMullan
Mr Robin Swann

Witnesses:

Mrs O'Neill	Minister of Agriculture and Rural Development
Mr Andrew Elliott	Department of Agriculture and Rural Development
Mr Norman Fulton	Department of Agriculture and Rural Development
Mr Noel Lavery	Department of Agriculture and Rural Development
Mrs Colette McMaster	Department of Agriculture and Rural Development

The Chairperson: I welcome to the Committee Michelle O'Neill, the Minister of Agriculture and Rural Development. Minister, you are very welcome, as always. I also welcome Noel Lavery, permanent secretary in the Department, as well as Colette McMaster and Norman Fulton. You are all very welcome. None of you is a stranger to the Committee, and you know the format. We are pleased to see you all here to discuss some very important issues for agriculture and our rural areas. Without further ado, Minister, please begin your briefing.

Mrs O'Neill (The Minister of Agriculture and Rural Development): Thank you, Mr Chairman and members of the Committee, for the opportunity to pick up on some issues today. If it is helpful, I will split the presentation into two parts. So, I will deal first with the current position on the new rural development programme (RDP), including the budget for the programme and other CAP pillar 1 issues, such as the direct payment model, one or two regions, the "active farmer" definition, etc. Following that, you may want to break and ask some questions, and we can then pick up on the residual issues from yesterday's debate. So, if you are happy with that approach, I will continue.

Let me turn first to the new rural development programme 2014-2020. Members will be aware that the consultation period for the draft proposals on the next RDP closed on 21 October 2013 and that that concluded a 16-week period of full consultation that began on 1 July 2013. My officials developed the consultation proposals in conjunction with the RDP stakeholder consultation group. The consultation document clearly set out the schemes that are proposed for inclusion in the next programme. Those

schemes are aimed at supporting the agrifood industry by promoting sustainable growth and competitiveness, improving biodiversity, mitigating climate change and tackling poverty and social isolation in rural areas.

The proposals were grouped in the consultation document according to the six European priorities. My Department set out the reasons behind the inclusion of the proposed schemes, and we asked questions about the proposals in each of the European priority areas. We also asked questions about how the programme should be delivered and its financing, including whether funds should be transferred from pillar 1 to pillar 2. To accompany the consultation document, indicative costings of each of the proposed schemes were also published.

The responses to the consultation were broadly supportive of the plans for the future programme, and they did not identify any new gaps. The needs that were identified during the development of the draft programme have not changed as a result of the exercise. Many of the comments that were received have helped DARD to make further improvements to the proposed schemes. My Department's response to the consultation comments will be made available on the DARD website shortly.

Our way ahead in developing the next RDP is clear. We will continue to develop our plans for the programme in conjunction with the stakeholder group, which meets again at the beginning of April. My officials will also continue to draft the formal programme document that will ultimately go to the EU Commission.

Regarding the programme finances, as I said, we have published indicative costings for each of the schemes during the consultation. We now know the amount of funding that is available to us from Europe. We also know that a zero transfer rate from pillar 1 to pillar 2 has been declared to the EU Commission. That has obviously caused a shortfall in the funding that will be available to the next programme. Although that is obviously not what I would have wished, it has been done now, and the Executive are going to have to face up to the reality of the situation and ensure that our farmers and rural dwellers are not disadvantaged as a result.

Confirming the budget that we need for the next programme is obviously a priority for me, although that is a complex decision, with a number of important factors to be considered, not least the future of the areas of natural constraint (ANC) scheme. Given the decisions that lie ahead, it would not be appropriate to set a deadline by which the programme must be finalised. It is important to take our time and to make sure that we get it right. In closing on that aspect, I assure members that I remain absolutely committed to delivering a balanced programme of support in the next RDP that delivers the best results for our agricultural, environmental and rural sectors.

Moving on to CAP and pillar 1 issues, I can say that, at EU level, the basic Act was published at the end of December 2013 and that work on the detailed delegated and implementing Acts is progressing. I expect those to be finalised by June or July this year. We have just completed a major consultation on pillar 1, and that consultation closed on 17 January. There was a large response: more than 800 responses were received. I have just received the full summary of those responses, and I am going to take time to consider them. A summary of the responses will be shared with the Committee in the near future, and I believe that my officials are scheduled to brief you on 4 March to discuss them.

So, thank you for giving me the time to make this presentation on RDP and CAP pillar 1 issues. Perhaps at this point I will pause and take whatever questions you have.

The Chairperson: Minister, thank you very much for your presentation on those important issues. We will go straight to questions. Let me remind members to stay on the subjects of pillar 1, pillar 2 and the rural development programme.

Minister, it is complicated, and fair play to anyone who has to go through this and find a good solution that suits Northern Ireland. It is not easy. You have had the two consultations, and your officials reported a number of weeks ago on the consultations and on some of the ideas that you have in that. We have the timescales for doing this, but when do you think that you will have concrete proposals to take to the Executive so that they can assess it and so that you can bid for funding, or additional funding, to complement those schemes? That is my first question.

Mrs O'Neill: I am not trying to be evasive, but it is hard to put a definitive timescale on it. Suffice it to say that it will be sooner rather than later, because we want to make sure that we give even the Department time to bed in the new system and the changes that will occur. We also want to give as

much information to farmers and rural dwellers as possible so that people are alert to the changes and can plan accordingly.

The consultation on pillar 1 has just closed. We have been working our way through the first consultation, and, as I say, I aim to make decisions as quickly as possible. Obviously, as a part of that whole process, we now know how much money we have from Europe, so it is about working through the Department's budget and seeing how much it has to put towards the programmes. It is also about deciding what we need to bid for under the normal Budget processes. Obviously, we will come to the Committee as a part of that before we go to the Executive.

That is what we are working through, and it certainly is very complex. I appreciate that you understand that. As a part of taking decisions and moving forward, I will be very much guided by the consultation responses that we have received. This has been a major consultation. To have over 800 responses to a consultation obviously shows that people want to have their views heard. I am guided by that. So, that is where we are at.

The Chairperson: I have a supplementary question to ask about the details of the consultation and the decisions that have to be made. Where convergence is concerned, how do we get to a flat rate and how long should it take us to get there? Then, there is the choice between the two-region option and the one region model to consider. Can you give us any indication of where you are going or where you wish to see the CAP reform going?

Although we acknowledge the court case and the fact that you have to go to the Executive with your ideas and plans, where does Europe fit into all this? As far as I am aware, the RDP will have to be signed off at European Commission level. Can you give us an indication of where you are looking to?

Mrs O'Neill: I think that one of the problems in the past has been getting clearance from Europe. We have all our own internal processes that we have to chart our way through over the next number of months. We are already engaging with Europe on the development of our plan and are talking to officials at a European level to make sure that they are aware of the direction that we are going in and the general areas that we are looking at.

We do not want to develop a plan and send it to Europe for it to sit waiting to be processed, so we are working with stakeholders and are starting to plan for the new programme. We will have a programme, although its shape and context and the funding for it are the decisions that are still to be taken. I am very cautious that we do not have a stop-start approach: we want to make sure that there is continuity. I met a group of councillors from across all the local actions groups (LAGs) yesterday, and they asked that there be no stop-start approach. I gave them assurances that that is not what I want to see.

The decisions about a single-region or two-region model and convergence are major ones, because they will leave a legacy that will impact on the wider community. We need to be mindful of that. So, I have very much listened to the views, and I have not taken final decisions, suffice it to say — I have made this public already — that I do not see any logic in any model other than the one-region model. The Committee will be very aware that there is a divergence of views on that. You had Ulster Farmers' Union (UFU) representatives in yesterday, I think, and you probably discussed that.

In my opinion, the two-region model will lead to a situation where severely disadvantaged areas (SDA) will be further discriminated against. I do not think that that is a situation that I could stand over. We cannot continue to base a system on an historical situation that is not fair. The two-region model would lead to less support going to the SDA, which is not something that I am comfortable with. So, as I said, I cannot see the logic in using that designation for any reason other than to try to protect what is already in place.

My personal view is that a one-region model is a fair model, but I listened very carefully to the consultation responses. At a recent meeting in Fermanagh, over 400 farmers got together to voice their views on whether there should be a single-region or two-region model. I have not taken a final decision, but I have made public my personal views, so I will not say any different to the Committee.

Moving to a flat rate is a very complex issue. I have always said that there needs to be a period of transition. It is only right and proper that you allow any business time to adjust to any changes, and it is widely recognised that there is a need to move away from the present system. I have said publicly that I would like that to happen sooner rather than later, but I am not wedded to a time frame for that. In the public consultation, we talked about 50% by 2019, but we are very much listening to views. My

officials are collating the views that we received in the consultation, and we intend to have some discussions on those on the way forward.

I am not trying to be evasive today, but a lot of these decisions have not been taken yet. I am very happy to listen to the Committee's views on any decisions that need to be taken.

The Chairperson: Members are keen to ask questions on this, but before I open the discussion up, I will say that you and I could talk about those decisions all day, but we do not have the time. So, how do you see the one-region model fitting in with Going for Growth?

Mrs O'Neill: I do not see it as a conflicting position. Norman is best placed to give you more detail, but I definitely do not see them as conflicting. I think that there is a misconception out there that a two-region model is more appropriate. We have gone through the figures and have very much analysed all the positions. I believe that, with the right decisions being taken, the end result will be that there will be very little difference between the one-region model and the two-region model.

Mr Norman Fulton (Department of Agriculture and Rural Development): There are a number of points in that. If I go down to the very basics, I will say that pillar 1 is not intended to support production or to boost productivity; it is an income-support measure. That is what a decoupled mechanism does. Therefore, decisions should not really be driven by production issues. That aside, as part of the analysis that we put out with the consultation document, we asked the food and agricultural policy research institute (FAPRI) team at the Agri-Food and Biosciences Institute (AFBI) to look at the potential impact of moving towards flat-rate support. The modelling work came back and said that the impact would be minimal in the progression towards the flat rate. So, that reinforces the point that decoupled support has a very muted impact on production, meaning that the distribution of that support would have a very muted impact on production.

We have looked specifically at what the UFU has proposed: a two-region model along with headage payment for SDA. We have looked at how that compares with the single-region model, making the assumption of a 50% transition towards a flat rate by 2019 compared with the two-region model. It has a minimal impact in the proportion of support that is going to lowland agriculture. For example, if you compare the two models, looking at the lowland dairy sector, you see that the difference is 0.5%. If you are looking at dairy in a disadvantaged area (DA), you see that it is 0.2%; cattle and sheep in the DA is 0.4%; and cattle and sheep in the lowland is 0.4%. So, there is very little impact, and where you do see the difference, it is in the SDA. That means that in the SDA, the effect is to effectively switch support from the sheep sector to the dairy and cattle sector.

As a model that is trying to retain support in lowland agriculture, it does not do that, as the impact is felt in the SDA. Overall, and compared with a simple single-region model, there is very little difference in the net impact.

Mrs O'Neill: I accept that that is all very complicated and that you probably need a separate session just to go through the figures. I would be very happy to do that if the Committee wished me to at some stage. I know that officials will be coming in to talk about the issue in more detail when there has been a proper analysis of the consultation. Given the breakdown of the figures and looking at them practically and asking what that means on the ground, I think that a further meeting would be very useful. I am offering to come back to the Committee to discuss that if it would be helpful.

The Chairperson: That would be very helpful. We are limited for time, as we always are in a Committee setting when you are here, Minister, so it would be good to scrutinise and to interrogate the information that comes before us. I could go on, but I am going to have to open the Floor to other members.

Mr Irwin: Some of the main players, such as the Ulster Farmers' Union and the Agri-Food Strategy Board (AFSB) seem to think that the two-region model would be best suited to Northern Ireland. I have had discussions with some of the Department's officials, and is it not the case that the main reason for the Department wanting a single region is that it would be easier for it to administrate?

Mrs O'Neill: No. When we looked at all the consultation responses, we saw that it was very evident that there was a divergence of views. So, it is not a one-sided argument, and there has been a split in views. However, I think that a lot of that is down to the fact that there may be some confusion about what it means for individual sectors. That is why I am saying that it would be very useful if Norman

could, at some stage, talk you through the different sectors and about what the different models would mean for them.

You met with UFU representatives yesterday, and there was a recognition that, for the two-region model to work, there would need to be coupled support for beef. There is no feeling from the consultation to suggest that people want to see that. So, if the end result is the same, why would you make things more difficult for yourself?

Mr Irwin: The Irish Republic, Scotland and a number of regions have provided support to the suckler industry, as well as a beef premium. Other regions do that, and have done it, to help the suckler sector, and I think that the suckler sector will be in real difficulties in the future. So, I think that it is vital that some sort of support is given. It is a question of how that is put together and whether it is classified as welfare support. I think that the Republic had a welfare support scheme or something in that region. It was maybe not seen to be coupled, but it was a scheme that gave aid to the suckler producer. I think that there is no doubt that there will be real difficulties ahead for the suckler producer, and everyone who is farming on the ground realises that.

Mrs O'Neill: Absolutely, and I do not have a closed mind about looking towards what types of supports we can put in place for a suckler scheme. However, I think that the two-region model is not the only way to address those issues. As I said, there is not support for a coupled scheme, and I am in discussions with officials about what types of supports we can introduce. Obviously, in the mix with that discussion is the question of whether there is room for or whether we are able to do some type of suckler scheme. So, the point that I am making is that, if the end result is the same, we should not try to make things more difficult for ourselves. That is the point that I am trying to make. As I said, I think that it would be really helpful for you to go through the figures with Norman so that you will be able to see the breakdown. If we can come to the same position at the end, and if the scheme is simpler, everyone will welcome that, including you, I am sure.

Mr Irwin: This might not really be an issue for you, Minister, but in the past week, I know that pig producers have seen prices drop by 30p a kilo. On top of that, we are told that, from 1 April, there will be a massive cut in the price of animals that have moved from more than four different farms. I am sure that you are aware of that. I have been speaking to a number of farmers today on this issue; I was on the motorway when I got two calls. Farmers will be hit very badly by this. If this is going to come into play, farmers will need time. To try to bring this in with a month's notice will be very bad for farmers, who will lose very heavily. If farmers had known last year or the year before that this was going to come into play, they could have adjusted for it and ensured that those animals were not moved a number of times. What is your feeling on that?

Mrs O'Neill: It is not something that we can address through this programme.

Mr Irwin: I know that.

Mrs O'Neill: Obviously, it is an issue, and market forces are at play with all those issues. It is very hard to influence those things, obviously. However, that having been said, I absolutely recognise the difficulty that this will cause, and I intend to do a round of meetings with those involved to see what can be done. In the local farm media over the past couple of days, we have seen the NI Meat Exporters Association (NIMEA) and different people speaking. Collectively, we need to give a strong voice to support the farming sector, because it is those people who are being continually pushed. Supermarkets are paying less, and this is impacting on local farmers and producers. I think that we all need to give a strong voice to the farming sector in this situation, given that beef prices and so forth are where they are. So, there is a combination of issues.

Mr Irwin: I think that it will be a very major issue over the next number of weeks.

Mrs O'Neill: Absolutely.

Mrs Dobson: It is not like William Irwin to steal a march on me and steal my question, but I think that he has with this one. I was also going to focus on the suckler industry. We are very aware of the implications for sucklers going forward. As a wee supplementary question to what William asked, would it have been easier to fund the scheme from rural development, and would you have been prepared to ring-fence this money?

Mrs O'Neill: Sorry, I do not understand what you are asking.

Mrs Dobson: Under rural development, is there anything that could be done to ring-fence money for sucklers?

Mrs O'Neill: No decisions have been taken, but, when you are considering how you would fund any type of suckler scheme, you would find that the rural development programme is what you would be looking towards. Unfortunately, we now have less money in the rural development programme, so that creates all sorts of difficulties, and, obviously, there are competing priorities. So, we have to look at all that in the round. If I had adequate money, that is where I would look towards funding it from.

Mrs Dobson: I have another question to ask, as William took my first one. As you know, we had a briefing from the Ulster Farmers' Union yesterday, and I brought up the designation of new areas of natural constraint. Minister, you may be aware that I wrote to you about this. Can you clarify why you cannot give a timetable for a possible consultation on this issue? The Ulster Farmers' Union and I thought that it would be very useful to have a consultation, and you came back saying that you had no intention of doing that. Given the feeling that is out there among farmers, is it your intention to consult with them?

Mrs O'Neill: The consultation just closed, and ANC was obviously one of the issues in it.

Mrs Dobson: No; I mean further consultation.

Mrs O'Neill: Yes, absolutely, because these are major changes. There are decisions on whether ANC is funded from pillar 1 or pillar 2. If it is in pillar 1, it has to happen straight away — in 2015. If it is in pillar 2, we have an opportunity not to change the designation until further down the line. It also gives us the opportunity to offer phase-out payments for those people who will lose out as a result of new designations. So, yes, we have to consult on all those things, and we continue to do that, but, obviously, we sought views as part of the recent consultation. In moving forward, anything significant of this nature requires discussions.

Mrs Dobson: Given the feeling among farmers, are you minded to hold a further consultation?

Mrs O'Neill: Yes, it was always part of the plan that we would do all that.

Mr McAleer: Minister, I want to ask about the reduced funding that there now is in pillar 2. During the consultation series, we found a good a lot of emphasis on the business improvement programme, which will probably be a part of the Going for Growth strategy. What implications might the fact that we cannot transfer funding into pillar 2 have for implementing those actions in the strategy?

Mrs O'Neill: Obviously, it puts us in a very difficult position. As I said, we now know our European allocation, and we are working through what our departmental contribution to that will be. It has made things very difficult. I would have thought that the RDP provides a fantastic platform for it. It is a tool, if you like, to enable us to deliver on a lot of the asks that are set out in the Going for Growth strategy. So, that makes things more difficult. As I have said many times in public, I am absolutely wedded to Going for Growth. I think that that strategy is the only show in town. It was such a positive development that was brought about by an industry-led government/industry partnership. The asks in the strategy are about capital grant schemes for farmers, such as fencing, sheds and those types of practical thing. There is still a need for those in the industry. Obviously, I am awaiting and hopeful of Executive support, and I would very much welcome anything that the Committee can do to support me in bringing that to the Executive. We now need the Executive to step up and support the farming community and rural dwellers.

Mr Swann: I thank the Minister. When do you have to make the decision about choosing either one-region or two-region status?

Mrs O'Neill: We are working our way through it now. The European deadline is 1 August, so obviously we want to make a decision in advance of that.

Mr Swann: If, for some reason, you had not come to a decision about whether pillar 1 or pillar 2 had gained Executive support or had been subject to legal challenge, is the single region then the default position for Northern Ireland?

Mrs O'Neill: Yes. It is single region.

Mr Swann: That is the default position. So, if no decision is made, or no decision is agreed upon, we will end up with one region status by default?

Mrs O'Neill: Yes. However, I am loath to accept that we should be burdened by decisions that other people put on to us. We are locally elected, and I think that it is for us to make decisions. So, I hope that that will not be the case, but, if it is, that is the default position.

Mr Byrne: I welcome the Minister, the permanent secretary and their staff. Minister, where CAP pillar 1 considerations are concerned, what are the broad policy principles that you are pursuing, whether there are one or two zones?

Mrs O'Neill: Do you mean the flat rate or regions?

Mr Byrne: Yes. What are the broad policy principles that you are pursuing?

Mrs O'Neill: I think that I already answered that question, but I am happy to pick it up again. When we look at whether we should have a single model or two, you have to look at the statistics and what it means for each sector in the farming industry. So, what does it mean for the farming of lowland sheep or SDA cattle? We have to look at all those issues, and that is what we are doing. So, I will be very much guided by the consultation responses that we have received and the lobbying that I receive from the Committee and all the other MLAs. I am happy to listen to views, regardless of where they come from. The decisions that I take will be very much based on the best interests of the farming industry.

I will also be guided by the fact that there is a need to address the historical imbalance that exists. The SDA is there for a reason, which is that those farmers need additional support. They are not getting that at the moment. There is an historical imbalance, and I want to be able to address it. So, I will be guided by that.

Mr Byrne: How will the principles and objectives of Going for Growth be matched against your outcomes in relation to the CAP pillar 1 proposals?

Mrs O'Neill: Going for Growth sets out big asks. It has a target of 15,000 jobs and expects exports to grow by 60%. We have a fantastic ability to assist the agrifood sector to grow. As part of the CAP reform, we will look at the supports that we can provide and the schemes that we can bring forward that will assist that industry to continue to grow. We have CAP reform and the agrifood strategy. The Executive have an ability to really show the agrifood industry that we are willing to work with it and take all opportunities to support it. This is a good time to do that.

Mr Byrne: Given that Going for Growth is a joint effort with the Department of Enterprise, Trade and Investment, what formal negotiations are you having with Minister Foster? What formal discussions are you having with Simon Hamilton to resolve the situation with the rural development programme?

Mrs O'Neill: There are no other discussions to be had with Simon Hamilton about the rural development programme. The decision has been taken. Europe has accepted a 0% transfer rate, so

Mr Byrne: Given that he is the Finance Minister, you will require his consent for any additional funds from the Executive to augment what is now a limited budget.

Mrs O'Neill: Absolutely, and I am pleased that he has made public statements, particularly in the Chamber at Question Time, that he is willing to support the agrifood sector. Hopefully, when I go to the Executive, that will also be borne out in actual decisions on how they will support me in moving forward.

Mr Byrne: Does that mean we are depending on megaphone diplomacy?

Mrs O'Neill: Maybe that is how you do business, Joe, but it is not how I do business.

Mr Byrne: I am asking a simple question: have you —

Mrs O'Neill: I am answering it.

Mr Byrne: Have you had any formal sit-down meetings to resolve these issues?

Mrs O'Neill: We had an agrifood strategy report response, which is being developed between me and Arlene Foster, the Minister of Enterprise, Trade and Investment. That has gone to the Executive, and we are waiting for it to be discussed at the Executive, when I hope to get approval. When I have that approval, it will be a good news story for the agrifood industry. I want outcomes.

Mr Byrne: What bid are you making to augment the rural development programme?

Mrs O'Neill: As I just said, we are working our way through the Budget process. We know what the European allocation is, and we are working our way through what we have internally in DARD. We will also be bidding to the Executive under the new Budget process. That is all part of the normal work that the Committee goes through, so the Committee will have sight of that in due course.

Mr Byrne: So there are no facts yet.

Mrs O'Neill: I am clear in what I set out. I said that we had a European allocation. We are working our way through a process —

Mr Byrne: Keep it simple, Minister. Are you looking for £100 million, £200 million, £300 million or a figure somewhere in between?

Mrs O'Neill: I am not at the stage of telling you what I am bidding for because we are working our way through the process. I said from the outset of today's discussion that I am not being evasive. We have not taken final decisions, but, when I do so, I am happy to come to the Committee and discuss the matter further.

Mr McMullan: Thanks, Minister, for the presentation. We all know what happened with pillar 1, pillar 2 and the 7% that went to the courts. We have heard today about diplomacy over the megaphone. Does the responsibility not now lie with this Committee and other Members to support you in your bid to the Finance Minister?

We had a presentation from the leaders of the rural development programme LAGs, and they were very forthright. Members asked questions, and one answer came through clearly: they cannot survive on less money than they had in the last programme, and that is only the rural development programme. Do you agree that this Committee and other Members have to stop shuffling their feet and get behind you in your bid for money? If we do not get this money for Going for Growth and other programmes, the only people who will lose out are members of the farming community.

Mrs O'Neill: Absolutely. Any weight that the Committee can lend to ensuring that we have Executive support is to be very much welcomed. These will be Executive decisions. When we knew the outcome of the case and had no ability to transfer funds, I clearly said that the Executive had to step up to the plate. I am clearly bringing that message to the Executive, but I very much welcome anything that the Committee can do to support that.

The Chairperson: I have one question, Minister, before you move on to remote sensing, just so that we tie up and close down as many of the issues as possible on pillar 1 and pillar 2 funding. We have covered the big issues: convergence and region zone models. ANC is another massive issue. Depending on whether it is paid out of pillar 1 or pillar 2, there are time pressures, particularly if you pay out of pillar 1. Do you have any indication of where you or even the Department want those payments being made from? In an operational sense, there is a difference. We all have our opinion of where we want it to be paid from, but have you or the Department formed an opinion on that?

Mrs O'Neill: Again, that is such a big area. However, I can easily give you the advantages and disadvantages of doing either. If we pay it out of pillar 1, it would be automatic, would start from 2015,

and we would have to redesign all the areas. If we decided that that needs to happen, we can deliver on that. It is an affordability issue, and it is about what pillar we can afford to pay it from.

Aside from that, if it is paid out of pillar 2, we would be able to give more time for the new areas to kick in. Other ANC changes will come in in 2015. If it were paid out of pillar 2, we would be able to not change the area until 2017 or 2018. That would obviously be an advantage as far as managing change is concerned, as so many other changes would be going on. The other advantage of paying it from pillar 2 is that it would allow us to make phase-out payments to those who would lose out and, for example, to those who are currently in the DA who will perhaps lose out as a result of changes in designation. Those benefits scream loud as far as an approach that could be taken is concerned. We are looking at all the consultation responses, but there are obvious benefits in paying it from pillar 2.

The Chairperson: Another big issue is the definition of an active farmer. The Department has gone some way to try to clarify that over the past number of weeks with its question-and-answer session. There is still a lot of confusion, particularly around the establishment of entitlements come April. What more light can you shed on that issue, considering that the EU has not completely defined it yet?

Mrs O'Neill: That is the problem. We are trying to get as much information out as possible. The wee Q&A that we did on the website is helpful, but, as an MLA, I know that people still have questions. We are trying to keep the Q&A up to date as we get more information from Europe. Norman might have something more to add to that, but, basically, we are trying to get the information out to the public as we learn it.

Mr Fulton: It really is about trying to increase awareness and make sure that as many people as possible understand what the issues are and their options over the coming month, six weeks and more. We are trying to keep the question-and-answer brief on the website up to date and add to it as more common questions are posed. Those are reflected in the briefing, which people can access.

It is also about making contact with everybody, and we are looking at sending out letters to claimants for the single farm payment to make sure that they are aware of the information that is available on the website and direct them to it.

The Chairperson: That is an issue. People know that there is an issue and will look at the media, read the farming press and stumble on the questions and answers on the website. However, there are still some landowners and farmers who are not aware of the changes and the new definition from 1 April. What more can the Department do to get the message across? Will it write out to individual farmers and business ID numbers?

Mrs O'Neill: Yes. We intend to do that. When we have more information, we will do a mailshot to everybody.

Mr Fulton: We are also advertising in local papers, again to try to draw attention to the issue. We recognise that landowners, in particular, may not necessarily be tuned into the agricultural press, and it is sometimes difficult to reach that constituency. We are making efforts to try to overcome that problem.

The Chairperson: William Irwin and Joe Byrne want to speak again. I do not think that we have the time to go right around the Committee again. I ask you to be very concise.

Mr Irwin: My question is about active farmers. I am a farmer, so I declare an interest.

I can see problems. We have only a short time until 2 April. If it is to happen, transfer of entitlements has to happen before that date, and there is still no clarity. I presume that the transfer is set in stone and cannot be changed. Is that the case? If it is, I think that getting urgent clarity is vital. Every day is a day lost. There is a lot of confusion.

In the absence of clarity, how do you expect everyone to know? There will be those who are switched on and who will take advice from farmers. Again, some 35% of all land is rented under the conacre system, and it is a big issue for Northern Ireland. I hope that the Department is fully aware of that.

Mrs O'Neill: Yes. One area that we have looked at is making sure that enough people know so that they can make their business decisions. Inevitably, those are business decisions, but you must have

the information to make those decisions. We looked at how we were advertising it and getting the message out.

The other area that I am looking at — some people have raised it with me — is whether the date is set in stone or whether there is some flexibility. Although I am not making any commitments today, we are looking at that. We do not want to leave it open-ended, but it would be good if we were able to extend it, even a little, to allow people a bit more time to understand everything.

Mr Irwin: I think that 2 April will be very tight. That is my concern.

Mr Byrne: My question is on the same theme. Is the Department considering issuing a booklet or guidelines on the issue? It is a most controversial matter. There is much uncertainty, and even some farming consultants are at variance with each other. The sooner the Department issues some confirmed guidelines, the better.

Mrs O'Neill: Absolutely. Building on what we have said, we are looking at whether we can send everybody a letter so that people have all the information and can make decisions based on that information. As I said, we are alert to the fact that the deadline may be an issue for some people. Down the line, I do not want anybody to say that they did not have all the information to enable them to make proper business decisions. We are trying to do those things.

The Chairperson: Minister, I will now ask you to speak about remote sensing, on which we had a debate in the House yesterday.

I need you to address one small issue first. It is for our information, and I apologise for springing it on you. Last week, we visited AFBI, and it is undertaking an environmental impact assessment of the intensification that could come from Going for Growth. If it is doing that work, I assume that it is for DARD. Has the EU Commission asked for that work? Is there an issue around intensification?

Mrs O'Neill: Is that an environmental assessment of Going for Growth?

The Chairperson: Yes.

Mrs O'Neill: I suppose that there were some issues —

Mr Lavery: I think that the Commission raised that as an issue, but I can come back to the Committee with a definitive answer.

Mrs O'Neill: As far as I am aware, the Commission raised that as an issue that we need to explore if we need an environmental assessment of Going for Growth, even though many of the individual elements will have environmental assessments. I do not think that it will hold anything up, but I know that Europe has raised it as an issue. We will give you more information.

Mr Lavery: I think that there was an assessment of Food Harvest 2020 in the South.

The Chairperson: Yes, so it could well be routine. It may not necessarily be anything other than that.

Mr Lavery: We will come back to you, Chair.

The Chairperson: I apologise for springing that on you.

Mrs O'Neill: No; that is fine.

The Chairperson: It just came into my head, and I needed to get it out.

Do you want to deal with remote sensing?

Mrs O'Neill: Yes. There has obviously been significant interest in the use of remote sensing, and I welcome the fact that I am able to follow up on yesterday's debate.

Before I turn to specific issues, I want to correct one of the issues that kept coming up in yesterday's debate, which was around the figure of £25 million. Some people would not let me make an intervention. *[Laughter.]* That figure was bandied about in the debate as it was the figure at a certain time. I really want to put it out that it is no longer the figure that remains unpaid this year. As a result of record performance and the use of remote sensing, the figure is now closer to around £9 million out of the total budget of £265 million. I hope that the Committee will welcome the fact that we have reduced that to £9 million, which is just over one third of the £25 million that we were originally talking about.

I reiterate that the use of remote sensing as a control this year has been a success and has contributed to the early completion of inspection payments and the speeding up of payments to farmers overall. Importantly, it has also served as an effective means of control that meets the regulatory requirements of the Commission. That is in no small measure because of the time taken to ensure that it was functioning effectively before it was deployed. My Department has achieved and exceeded its target with a record payment outcome, and I appreciate that the Committee got that figure only yesterday. We are now talking about over 96% of all claims being paid, and, in addition, a significant majority of inspection cases will have payments in their bank accounts by the end of February.

I would like greater recognition of the fact that that achievement was made in the scheme year when there was major change to the system as a result of the introduction of new mapping controls. We have also been using our experience from 2012 to build on the new robust systems, with increased automation to improve scheme controls. That experience will be carried forward to enhance our systems and ensure faster payments in 2014.

Some concern has been expressed about the selection of the zones for control with remote sensing and the localised effect that this had, and I totally take on board and fully understand that concern. I reassure the Committee that inspected claims were selected strictly according to EU guidelines and the zones were randomly generated. I also reassure the Committee that there was a great deal of learning in the deployment of remote sensing this year and that our experiences from the 2013 inspection process will feed into the 2014 payment campaign. We will, for example, reduce the localised impact of many inspections in a single zone, and we also plan to pay many of the remote sensing cases next year in December. Much of the interest in control with remote sensing has focused on the timing of the notification to farmers whose claims were checked using that technique. There are regulatory constraints that affect how and when we can tell farmers about an inspection. We took those into consideration and, to give farmers more information, issued a letter in December. We reviewed how we communicated with those farmers, and it is considered that, in future, the letter could issue aligned to the determined areas notification without having any significant impact on the control. Hopefully, that will bring it forward, albeit by a short time of nine or 10 days. It will not be the case that we will send farmers advance notification of the satellite photography, because that would be unacceptable to the Commission.

I hope that members will understand that I have had to strike a careful balance. However, I listened to the concerns that were expressed during the debate yesterday. One theme in the debate to which I want to return was that, because there was a long time between the May satellite photography and the February payments, some Members felt that remote sensing cases must have been set aside. I reassure the Committee that the claims selected for inspection by remote sensing were not set aside and ignored. The satellite photograph alone does not constitute the on-the-spot inspection. It has to be combined with other imagery and analysis, which leads to a process of field visits when those are required. They are not required for every inspection, but there is more than one point in the process when a field inspection can be triggered.

The satellite images were provided by the Commission, and a technical process began involving the ICON Group based in Dublin. That company had been appointed by competitive tender. ICON has considerable experience of remote sensing and, from April to August, DARD met frequently with the company to refine a protocol called the national addendum. That protocol sets out the details of data capture and land parcel identification system (LPIS) guidelines to carry out inspections effectively. Those meetings also provided a forum for ICON to develop further its understanding of DARD's systems and requirements for delivering inspection and payments. That shared knowledge allowed ICON to train its operatives. Once the training was completed and the protocols were established, ICON began to data-capture in September using the satellite images in line with DARD's protocols.

I already mentioned that we used our experience from 2012 to build new robust systems, and, from September through to December, my Department developed the IT structure, which included a special

geographic information system (GIS) validation process and also developed the existing information management system, which allows payments to be made. That allowed ICON to feed data into DARD's payment systems. As data capture progressed, any image that could not provide an accurate determination was selected for a rapid field visit, and those visits began in October and continued into February, during which additional quality assurance checks were made. From the beginning of January until 10 February, DARD spent time testing the new IT systems and loading inspection data from ICON into the payment systems. That testing was informed by the Department's engagement with Commission auditors towards the end of 2013, which made the Department aware that the Commission was taking an increased interest in the accuracy of remote sensing inspections throughout the European Union. It meant that the standard of inspection accuracy had to be high, and it meant reviewing even more closely cases in which there was any doubt arising from the photographs. So, the building of systems that was so vital in the run-up to the payment was not unique to remote sensing cases. The systems were also necessary to allow the new LPIS maps to be linked to all claims and to other aspects of the control system. There is an intense annual cycle of payment processing, which means that at no time is there the luxury of building new systems in isolation from the real world of delivery.

Payments began on 10 February. This morning, I can confirm that payments for 430 inspection cases by control with remote sensing will reach farmers' accounts in February. Many more will be processed for payment before the month is out. Where the remote check has identified queries about the amount of land declared, additional work, including farm visits, will be required, meaning that they will take some time to process. However, we are striving to pay outstanding claims as quickly as possible.

I thank the Committee for the opportunity to clarify some points. Of course, there are learning points. I do not think that it is fair, however, to ignore the fact that there has been success in achieving faster payments for farmers.

The Chairperson: Thank you very much, Minister, for your presentation and being concise. I do not know that there is any merit in going into why and why not; that was yesterday's debate. However, members are entitled to ask whatever they wish. My focus now is on the future. How many remote sensing inspections will be carried out next year? Although you tell us that you can make more advance notifications of nine or 10 days, that does absolutely nothing to help any business plan for cash flow and plan their business, not receiving a cheque in December. You could initiate rapid field visits sooner. That basically gives a farmer an indication that he is involved in an inspection, which means that he may well not get paid in December. I understand your issue with legislation and EU issues. However, can you tell us how many remote sensing inspections will be carried out next year and how quickly you will then be able to do rapid field visits in order to give those people indirect notification?

Mrs O'Neill: Again, we are working our way through the process and trying to get payments out. That has been the focus. Staff are in over the weekend and working evenings to try to get everybody paid as quickly as possible. We are four months better off. I will keep making that point, because it is a good-news story. I accept that you took that on board yesterday in the debate.

When I say that there are lessons to be learned, there are always lessons to be learned when you go through any new process. I think the main concern that people had concern about was that, if you had a build-up of farmers in a particular geographical area, when we had chosen two areas, that has impact not just on the individual but also the wider network, if you call it that. That is something to be looked at in future years. I do not intend that we will have two focused areas like that again. I think there is a way to be able to spread that out, given the limitations of taking satellite imagery — it needs to be in an area of a certain size in order to make it worthwhile. So the system has worked, but we can definitely tweak it to make it better for next year.

Next year, we hope to have the majority of people paid in December. Again, that will improve things even further. Hopefully, this will not be an issue. We are not trying to be overbureaucratic or to make things more difficult. We are trying to protect what is almost £300 million in supports by carrying out those inspections. I do not have a figure for how many there will be next year. However, as I said, we went from 250 last year to 1,139. The total number of inspections that we do is —

Mr Andrew Elliott (Department of Agriculture and Rural Development): It is just over 2,000.

Mrs O'Neill: In an ideal situation, you would want to have the majority of them done by remote sensing. That would allow us to continue, at this moment in time, to get everybody paid faster, and, in

the future, if that includes part payments and all those things, they will all be possible because we are doing it that way.

You asked about notification —

The Chairperson: Even if you were to do rapid field visits sooner, that would give people indirect notification that they were involved in an inspection.

Mrs O'Neill: Fair enough; that is a valid point. When you are visited by an inspector, you know that you are potentially in that category. With regard to lessons learned, I think that is something that, again, Andrew and the team will take forward.

Mr A Elliott: Absolutely. We were limited in how early we could start this year. However, if you are looking to the future —

The Chairperson: Why were you limited? Was it because of computers?

Mr A Elliott: Because we had to do so much system testing. So, while some inspections and rapid field visits were carried out in October, November and December, many more were carried out after that. That was just necessarily so this year. However, we expect that to be a one-off. We want to see more benefits next year.

The Chairperson: I want to make one point about the immediate future. Minister, you said that you have made 430 payments. I do not mean to get into the nitty-gritty, but each one of those payments is a massive thing. Last week, on 13 February, I got word indirectly from Andrew that 440 had been paid. Can you just clear up that discrepancy for me?

Mrs O'Neill: Andrew can speak for himself, but I assume that that might have been for inspections in their entirety.

Mr A Elliott: I have no recollection of that figure of 440. I think that this is the very latest. The earlier figure was 400, and we are now at 430. I would need to go away and look at where a figure of 440 came from. It is possible with these things that another number can come along. We might be at 440 by now; I am not sure. I checked it earlier this morning.

The Chairperson: If that was on 13 February, that was last week.

Mrs O'Neill: No. At the end of last week, we were at 300. We were up to 400 yesterday, and it is 430 today. So, the picture is changing incrementally all the time. We would not have been able to say that it was 440 on 13 February, because that was not the case. You can clarify what that is.

The Chairperson: Again, I stress that that was indirect. So it was not that I was speaking to you, Andrew, or that you were speaking to me. That was the information that I got. OK. Thanks very much.

Mrs O'Neill: Not to be rude, but I have to be away by 2.35 pm at the latest.

The Chairperson: OK. We will try to rush through these questions as much as possible.

Mrs Dobson: Minister, yesterday's debate on remote sensing was very useful. We established that you cannot control the weather.

Robin and I recently held a very successful meeting in Glarryford with 150 farmers. I want to thank Andrew Elliott for his assistance in providing officials. It was a hot-tempered meeting. At one stage, it was said that the officials were like turkeys voting for Christmas. Tempers were very frayed. However, it was very useful. We got an impression of the impact that this has had on that area. Can you give us a target date for when your Department will get to grips with the issue? What confidence can farmers have, given that, year on year, they face the prospect of, as they see it, being used as guinea pigs for remote sensing by the Department? Why is there no target date set for getting on top of mapping?

Mrs O'Neill: I think that the track record speaks for itself. Year on year, we have had improvements in the system. I accept that it is a stressful situation for the small minority of farmers who have been waiting for their payments. However, by and large, the bigger picture is a better picture.

Mrs Dobson: I do not think that "stressful" even comes close. If you ask your officials, Andrew, who were there —

Mrs O'Neill: I engage with farmers all the time, so I am very aware of the feeling. I have engaged with plenty of people who are waiting for their payments, so I totally understand that. However, you should not lose sight of the bigger picture. That is all that I am saying. The bigger picture is a better picture. We are four months ahead of where we were in 2011. So, each year, the track record speaks for itself. We are trying to make this into a better, fit-for-purpose system that can get payments out as quickly as possible. Next year, we will build on that even further. I hope that that is testimony enough to farmers that we are trying to make this all better, so that we can get payments out. I want to pay the majority of people in December. That is the aim. The target for next year is to pay people all in December — the majority of claims in December.

Out of the claims that still remain in the system, about 300 are probate claims. I just want to flag that up. Those are obviously very difficult and complicated cases. Then, there are a few others because of bank details and things like that. I think that the track record speaks for itself. I and the Department are committed to trying to make things better.

Mrs Dobson: It is hard to see the bigger picture when families cannot pay their bills or suppliers.

Mrs O'Neill: I always contextualise everything that I say by saying that I understand the plight of individual farmers and how they feel.

Mrs Dobson: Can you give farmers in Glarryford and Bann Valley an assurance that they will not be — I know that it is random — subject to any future remote sensing pilot and will be given clarity as soon as possible? Previously, we were told April by the Department for the payments. Is that not achievable now? Are we still on target to get the rest of those payments out?

Mrs O'Neill: I will give all farmers, not just in the areas that you represent but right across the board, an assurance that I am continuing to make the system better and that I will continue to build on the track record of the past two years. I think that the track record speaks for itself. We are on target for the April date that we set out; there is no deviation from that. As I said, staff are working very hard, round the clock, to try to get payments out there as quickly as possible.

The Chairperson: OK. We are stuck for time, so I have to be careful in how we approach this.

Mr Buchanan: Thank you, Minister. I want to move the issue of remote sensing on. What period of time will elapse from when the images are taken on the ground to when, moving into the next term, they are assessed?

Mrs O'Neill: Do you mean the field visit?

Mr Buchanan: Yes. Well, from when the images are taken by the satellite to when the work begins on the assessment of an application.

Mr A Elliott: On the practicalities of this year, the 2014 year, we expect the work to begin several months earlier than was possible this year. I do not want to be exact about that because there are a number of other things that we have to decide that can impact on the precise timing. I envisage that, in 2014, you are just as likely to get your payment in December if you have been subject to a remote sensing case as if you have not. So, in other words, it will not be that, in 2014, farmers will be saying that they were particularly unlucky to have a remote sensing check. The remote sensing check will feed through the system far more quickly because the systems have now been substantially built.

Mr Buchanan: This time, the areas were randomly selected, and I have no doubt that that is the way that it will be done again. Given that, how can you ensure that it will not be in concentrated areas but that it will be broadened out more?

Mrs O'Neill: The areas have to be randomly selected to make it fair, obviously. You can look at whether you can increase the number of areas, and, that way, there are fewer people in a particular geographical area. We are looking at that, and, coming back to the point that the Chair raised earlier, for next year, let us try to mitigate the impact that a concentration in one area has. I think that we will be able to do that.

Mr Buchanan: I have one other question. Will remote sensing be cost-effective for the Department?

Mrs O'Neill: Yes, I believe so. I think that it will take a few years for us to be able to fully put on record the actual savings, but there is no doubt that the cost of this compared with the traditional way will be very much evident.

Mr Noel Lavery (Department of Agriculture and Rural Development): Obviously, we will do an evaluation of it formally. Having made the investment in the systems, we want to ensure that it does give value for money.

The Chairperson: We are going to struggle to get everyone in in the remaining three minutes.

Mr Byrne: Minister, William Irwin raised the issue of the current beef price collapse. Would DARD support an effort to try to have live exports of beef cattle again from Northern Ireland? I am aware that the new Government in Libya, for example, are willing to accept live imports of cattle. In the past, there was a lucrative trade from Ireland to the Middle East. Maybe the permanent secretary can advise on DARD's position on supporting or otherwise live cattle exports from the North of Ireland.

Mr Lavery: I will need to come back to you, Mr Byrne. I would not like to give an off-the-cuff answer to that.

Mrs O'Neill: The reality is that we have a strategy to want to build a 60% increase on our sales and exports, so that, obviously, is key. Whatever barriers to trade will impact on that, we will have to take them on as a major issue. So, a target is already in place, and we want to work with individuals who will be able to deliver on that.

Mr Byrne: I think that there is a trade mission going to Libya soon, and one of the key areas that it wants to talk about is agricultural produce. I request that the Department gives serious consideration to putting some input into that. I think that the Minister of Enterprise, Trade and Investment is going there.

Mrs O'Neill: We are very keen to explore exports, and, if we are going to reach our target, we will have to work with industry and address the barriers. Quite often, it is the export certificates that are the barriers. We have officials working on exports to China and right across the board. We are looking at quite a number of areas. Some day, the Committee might want to talk about the areas that we are targeting.

The Chairperson: I do not mean to rush everybody and anybody, but can we keep these questions and answers to one minute?

Mr McAleer: Minister, originally, I felt that coming back to the Committee today was a bit of overkill, but I am glad now because some things were clarified today, and that is very good.

I have a couple of questions on remote sensing. How many of the remote sensing cases out of the 1,100 required a rapid field visit, and, is it possible, as the technology develops, to treat the Six Counties as a single zone for the inspection?

Mr A Elliott: In the region of 30% to 40% required a rapid field visit. We have to finalise the figures on that. It could vary between those two, but that is the territory that we are in.

Mrs O'Neill: The issue of a single zone is a practical issue of satellite imagery and where you place it. It is treated as one area, but is just targeted at different areas as a control zone.

Mr A Elliott: It is our ambition to try to make sure that we cover different areas as the years go by so that we are not just stuck always in one place. Subject to the restrictions of randomisation and all the

rest of it, that is a direction of travel that is important to us. So, we need to make sure that all farmers feel that it is important to comply.

Mr Swann: Is all of Northern Ireland accessible under your satellite imaging? Are there any parts that you cannot cover?

Mr A Elliott: There is nowhere that we cannot cover with the additional benefit of rapid field visits. So, there may be certain areas where, for example, high amounts of rush and scrub are mixed together, where we would definitely want rapid field visits.

Mr Swann: Have you had to bring in countryside management scheme (CMS) staff to finish this, and is it true that only two counties out of six have received countryside management payments?

Mr A Elliott: The countryside management unit is right at the heart of the work that we are doing in these inspections. That is its job.

Mr Swann: Have staff been taken away from CMS duties to complete this?

Mr A Elliott: A number of staff have moved posts recently as a result of promotions and other issues. However, in general terms, have we deployed resources on making sure that we get this right? Absolutely, yes.

Mr Swann: Will other areas suffer?

Mr A Elliott: No.

Mr Swann: Will payments be delayed in other areas?

Mr A Elliott: No.

Mr Irwin: I gather that now that the almighty remote sensing system is properly in place, future remote sensing inspections should be resolved quicker, resulting in payments being quicker. Am I right? I am always fair, and I will say to the Department that, other than the remote sensing issue, payments and inspections were much quicker this year. I know of two farmers who were inspected in November and got their payment before Christmas. Of course, the remote sensing issue has done you a lot of damage this time.

The Chairperson: That is very gracious of you, William.

Mr McMullan: Do not be throwing William out of the party for that. *[Laughter.]* Minister, how vital is online application to the future of remote sensing?

Mrs O'Neill: It is vital in general. The more people that we have applying online, the better for everything — for all systems, for all payments and for farmers being able to check their claims — it is win-win all round. We welcome the Committee bringing to bear any influence that it has in getting that message out. It is something that we are promoting it, and it is why I have invested £5 million in broadband. We are improving year on year. This year it is, I think, it is about 20-odd per cent. We want to continue to build on that year-on-year improvement.

Mr Lavery: It has helped to reduce disallowance as well.

Mr McMullan: That message needs to get out, Chair, and I think that it needs to come from the Committee, possibly through a statement on the importance of online applications to remote sensing and that. Because, as we have agreed, we have to help promote this, and that is one of the things that we need to get out to the farming community.

The Chairperson: OK, Oliver. Thank you very much to you and your staff, Minister, particularly for that speed round. Thank you very much for your time here today; I appreciate that you are all very busy.

Mrs O'Neill: Thank you.