



## **NORTHERN IRELAND ASSEMBLY COMMITTEE FOR AGRICULTURE AND RURAL DEVELOPMENT**

### **REVISED POSITION PAPER - EU PROPOSALS CAP REFORM**

#### **Introduction**

1. The Committee is concerned that the 'greening' component lacks innovation and requires further work to safeguard both the agri-sector and the environment. However, Pillar I already delivers very significantly on the green agenda. The Committee is concerned that the 'greening issue' will make CAP an environmental policy rather than a policy to support production and maintain a viable agri-industry in Northern Ireland. It could be argued that farming and active land management have created Northern Ireland's current landscapes and habitats. Pillar II agri-environment measures build on, and secure, what is already there. This message needs to be better recognised and articulated. The Committee acknowledges the European Commission's motivation for seeking to green Pillar I.
2. On Food Security, the Committee believes that Europe needs to play a leadership role by demonstrating that it is prepared to invest in sustaining its own production capacity rather than simply leaving this to others and relying instead on its relative affluence and purchasing power to ensure food availability and security for its citizens. The Committee finds the absence of any specific reference to 'food security' a significant omission, and there is a need for a greater Pillar II budget.

## **Whether the proposal to green direct payments will generate significant environmental benefits**

3. The CAP proposals include some simplification of cross-compliance, with the number of Statutory Management Requirements (SMRs) reduced from 18 to 13 and the rules on Good Agricultural and Environmental Condition (GAEC) reduced from 15 to 8. One of the issues of concern is a GAEC standard for protection of wetland and carbon rich soils which includes a ban on first ploughing of land, which has not been defined as arable under EU regulations. There are concerns that all soils in Northern Ireland will be designated as carbon rich, meaning that if land is labelled as permanent pasture in 2014, it cannot be ploughed. It is feared this will have a significant effect on how or whether a farmer will be able to reseed pasture.
4. There are concerns that the crop diversification aspect of the proposals, which will require arable farmers to have three different crops if they are growing more than 3 hectares, may cause individuals to decide that it is simply not worth the hassle. In Northern Ireland, there could be a situation that through greening measures, the diversity of agriculture will actually be reduced, thus having a negative impact on the environment.
5. The Committee takes the view that considerable work needs to be done to ensure that the greening proposals actually deliver environmental benefits, that they do not hinder the development of a competitive agriculture industry and that if required, at all, they must be capable of being implemented at no additional cost to the farmer, the taxpayer and the European Commission – see below. Any further greening proposals should be incorporated in Pillar II.

## **The impact of additional greening requirements on food production and the competitiveness of the agricultural industry**

6. The Committee believes that any additional greening must be fully justified in terms of the benefits it will deliver when compared with the additional delivery costs for both farmers and administrations. It is important also that greening actions do not undermine the

competitiveness of the agricultural sector, particularly in relation to non-EU competitors.

7. The world population has recently passed the seven billion mark. The Committee has concerns that the Commission has not made food production/food security a priority in the CAP proposals.
8. The Committee agrees that Europe needs to play a leadership role by demonstrating that it is prepared to invest in sustaining its own production capacity rather than simply leaving this to others and relying instead on its relative affluence and purchasing power to ensure food availability and security for its citizens. With the current proposals, the Committee is concerned that it will restrict rather than encourage Northern Ireland farmers to reach their potential to produce high quality food. The proposals must ensure that global competitiveness for the European Union farmers is not impeded and the food security of its citizens is not compromised.
9. The Committee is concerned that DEFRA would be content for the budget allocation to be reduced, with most funds being distributed on environmental schemes and not food production or food security.
10. The greening proposals of retaining permanent pasture; crop diversification and an ecological focus area will pose very significant practical difficulties for farmers in Northern Ireland. Crop diversification requires claimants with more than 3 hectares of arable land to cultivate at least three different crops on the land, with no single crop accounting for more than 70% of the land but no less than 5%. There are fears that this requirement may act as a significant restraint on practical farming. The Committee asks: *Why have three crops a year?*
11. The requirement that at least 7% of land should have an ecological focus area needs greater clarification. *For example, can hedges and watercourses be included in the 7%?* There are also concerns that the zoning of 7% of land, which is not permanent pasture, will encourage farmers from outside the EU to use land for more arable productions, thereby disadvantaging Northern Ireland farmers. This designation of land for 'greening' will decrease productivity in an already volatile market.

- 12.** There are real concerns that the additional greening requirements will deter farmers from food production, therefore increasing prices and decreasing production in the agri-food sector. (This is a double edged sword as it will be advantageous for producers but puts consumers at a disadvantage.) For example, farmers who currently receive Single Farm Payment may wish to keep their land in grass as to avoid a lot of greening measures. Or a farmer may be reluctant to rent out a field of grass to another farmer to plant a crop in it as this would trigger other 'greening' mechanisms and consequences for him. Keeping land for 'grass' will have major implications for the structure of the industry in particular the arable sector. This aspect is particular disconcerting for Northern Ireland as arable farming has been on the decline since 1990, as this table illustrates:

<b>Crops ('000 Hectares)</b>	<b>1990</b>	<b>2000</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Cereals</b>	<b>45.9</b>	<b>40.7</b>	<b>40.4</b>	<b>39.2</b>	<b>37.8</b>
<b>Potatoes</b>	<b>10.8</b>	<b>6.8</b>	<b>5.1</b>	<b>5.1</b>	<b>4.9</b>
<b>Horticultural crops</b>	<b>3.4</b>	<b>3.3</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>

- 13.** In Northern Ireland, the agri-food sector is a great aspect to the economy. It continues to be the biggest contributor to Northern Ireland manufacturing accounting for 23.8% of the total manufacturing sales in 2010 and increasing turnover by 8.3%; a phenomenal achievement during a recession.

### **Consistency of the greening proposals with the CAP simplification agenda.**

- 14.** The Committee is concerned that the complex nature of the proposals could lead to more bureaucracy and unnecessary monitoring of farmers. Therefore the reduction in bureaucracy is an absolute must for CAP reform and the Commission must look at simplification as a priority, yet still maintaining appropriate Governance. Calculating the value of the 'greening element' is additional bureaucracy and could add delay to the payment process. The move from having a single farm payment to having at least four payments: the basic payment, the greening payment, the new young farmer supplement payment and a small farmer scheme,

although the latter two are optional for farmers to join. There is a genuine fear that this will be too cumbersome for some farmers. In addition some of these farmers may already be claiming for LFACA under Pillar II and could also claim for Areas of Natural Constraint under Pillar I in the new proposals. This would be extremely complicated for some.

15. There are concerns that too much red tape is actually taking farmers from carrying out agricultural activity and discouraging a new generation of young farmers from entering the industry. Audit, controls and penalties must be risk-based and made more proportionate, with the total costs and benefits of delivery being of central importance. Regions must have flexibility on implementation details proportionate with the effective delivery of policy aims and financial management.
16. The Committee is also concerned that increased levels of bureaucracy could incline smaller farmers to go out of business. Northern Ireland farmers are typically small farmers, with an average age of 59. The complexities of administration of CAP may lead to older farmers to leaving the industry, thus causing Northern Ireland to lose an important aspect of its skill bases. However simplification needs to be a priority for all farmers across the board.
17. The Commission will be asking local administrations to test 'active farmers'. This task will be extremely difficult to implement. The Department of Agriculture and Rural Development would be required to not only go out and collect information from individual claimants on receipts from non-agriculture activities but to verify it. For Northern Ireland, there is no readily available or identifiable place to access this information. *How will this requirement reduce the red tape and is it the case that by imposing inappropriate levels of bureaucracy, this simply creates an increased demand for inspections and leaves matters open to interpretation, across Member States – which are then second-guessed by bureaucrats in Brussels and which will result in fines and disallowances?*
18. It is generally held that up to a third of the agricultural land within Northern Ireland is held under conacre, effectively meaning that there is a landlord who owns, and lets, the land and tenant farmers who actually farm it. Under the proposed definition of an 'active' farmer payments will not be able to be made to applicants for whom the CAP direct payments are less than 5% of total receipts from all non-agricultural activities. Under this

criterion many landlords including private individuals, churches and charities may not qualify for Direct payments and this could potentially impact on the good management of farmland as well as raising rents for tenant farmers as landlords seek to meet the shortfall potentially created by not being able to access Direct payments.

19. The Commission proposes that payments would not be made to applicants whose CAP payments are less than 5% of total receipts from all non- agricultural activities in the most recent fiscal year. The Committee considers this proposal to be unworkable.
20. It is absolutely critical that the greening actions and their associated outcomes can be clearly described and explained and are capable of verification through simple and deliverable control procedures. They must not, through ambiguity and complexity, expose farmers and paying agencies to unacceptable and disproportionate audit criticism and sanction. There is a very real risk that the control and verification of poorly defined greening actions could become the over-riding concern of paying agencies, with income support objectives (and consequences) very much diminished. It is legitimate to postulate that the mapping or recording of these areas in order to prove eligibility could present challenges to farmers and the department, alike, along the lines of the recent EU disallowance fines due to the inaccurate recording of eligible land. The 7% of the ecological focus areas would be particular susceptible to these issues, given the potential complexities in actually recording the boundaries of these areas accurately.

### **How greening pillar 1 can be made coherent with agri-environment schemes**

21. The greening proposals of crop diversification and an ecological focus area will pose very significant practical difficulties for certain farmers.
22. The CAP proposals include some simplification of cross-compliance, with the number of Statutory Management Requirements (SMRs) reduced from 18 to 13 and the rules on Good Agricultural and Environmental Condition (GAEC) reduced from 15 to 8. One of the issues of concerns is a GAEC standard for protection of wetland and carbon rich soils which

includes a ban on first ploughing of land, which has not been defined as arable under EU regulations.

**23.** The Organic Farming Scheme and The Northern Ireland Countryside Management Scheme are funded under Axis 2 of the Northern Ireland Rural Development Programme (NIRDP). The Organic Farming Scheme already has a crop rotation component designed to increase soil fertility. The Northern Ireland Countryside Management Scheme also has a component in regards to the protection of wetland, which include fens which are so wet or waterlogged all year that they can only be occasionally grazed. Will these schemes be replaced and will duplication be avoided in any new proposals?

**24.** In Northern Ireland, there is a significant amount of land farmed by tenants with the result that payments for different schemes are often directed towards different recipients. The European Commission has published critical audit reports on this practise within the UK. Whilst the EC seems to be unclear as to whether it is possible for more than one farmer to meet different scheme eligibility requirements for one piece of land at any one time, this could potentially prove difficult for farmers wishing to participate in other agri-environment schemes and could leave Northern Ireland vulnerable to financial penalty at a time when the block grant from Westminster has been reduced.

## **Recommendations for improving the greening proposals**

### **Definitions**

**25.** All of the definitions in this section present challenges and could be deemed to be unworkable. The Committee is concerned as to whether robust and workable definitions of an “active farmer”, “small farmer”, “permanent pasture” and “agricultural activity” can be formulated. There should be a platform for each Member State to define these themselves and, as is the case with the UK, provide for some regional flexibility.

### **Active Farmer**

- 26.** It is disappointing that the Commission, despite opposition from the European Parliament and Member States has sought to use its own definition of an “active” farmer. The Committee raises the issue that the definition of “active” farmer varies too widely throughout the European Union and using a single definition cannot truly reflect the variety of culture of farming present in Member States. The Committee believes that, in order to ensure WTO green box compliance, production cannot be a pre-condition to support entitlement. Therefore, in line with the current definition of a farmer, simply maintaining land in GAEC, must qualify an applicant for support as an “active” farmer.
- 27.** The Committee requests that the imposition of an active farmer requirement be left as an option for Member States and regions to apply if they feel it is appropriate and feasible, with the Commission respecting the decision made by these Member States and regions. However in Northern Ireland, this raises additional issues as about a third of land is let as con-acre each year. There are fears that categorising farmers as ‘active’ may mean less availability of con-acre if farmers need to become more active on farms. Rigid enforcement could lead to land dereliction and rising rents for tenant farmers and a potential reduction in food production.
- 28.** Another group that may be negatively impacted by this proposal is the 15,596 part time farmers within Northern Ireland. Whilst many of these individuals may well receive Direct Payments less than €5000, and as a result may not be subject to this regulation, there may still be part time farmers claiming more than this threshold and for whom their Direct Payments are less than 5% of total receipts from all non-agricultural activities. Farmers in this position could well lose a significant income supplement which would have a knock on effect on the viability of the farm, family income and wider rural community.
- 29.** Those farmers who received less than €5000 are deemed to be inactive and would therefore be exempt. For Northern Ireland this would leave around 21,000 applicants, who must be verified as ‘active farmers’ by the Department of Agriculture and Rural Development.

## **Small Farmer**



**30.** The small farmers' scheme is optional for farmers, but compulsory for the Department to provide. This will provide a one-off opportunity for small farmers to join the scheme in 2014. It is the Committee's view that creating a robust definition of a small farmer will be very challenging. Definitions based on, for example, business size or land area will produce different answers, and answers that will vary over time. In particular, the level of direct Pillar I support received, or the number of entitlements held, is not always an accurate indicator of the size of the underlying farm business. "Small" is a relative term, and what might be considered a small farmer in one Member State might be regarded as a hobby farmer in another, and the taxpayer should not be funding hobbies. In addition, a small farm in terms of the UK may be considered extremely large compared to those in some of the countries in eastern Europe.

### **Permanent Pasture**

**31.** The definition of permanent pasture needs to be clarified. Some EU sources have indicated that permanent pasture is land that has not been cultivated. This is not how farmers in Northern Ireland would define permanent pasture.

### **Regional Flexibility**

**32.** The Committee considers that a two pillar model for the CAP represents the best way to deal with the complex and diverse challenges facing 27 Member States. However, both Pillar I and Pillar II must provide for significant regional flexibility to address local issues within the overall common policy framework. This is how the CAP can remain relevant to meeting the regional needs and challenges that lie ahead.

### **Budget**

**33.** The Committee welcomes the initial indications that the budget will not be reduced, but recognises that the wider issues of European and world economics, may mean the issue is re-visited. The Committee wishes to draw attention to the fact that, in the last budget allocation, the United Kingdom failed to negotiate a large enough share of funding to support rural development programmes. Any new rural development programme must address the overall needs of rural communities, especially given the demographic trends in Northern Ireland.

## Executive Summary

1. Agriculture remains a critical industry and employer in Northern Ireland with a labour force of 46,948 directly involved in agriculture. It contributes £378 million gross value added to the local economy (1.3% overall), more than double the UK average.
2. Some of the environmental aspects of the Pillar I are already achieved through the agri-environment measures of Pillar II – and this is self-evident to anyone who cares to visit Northern Ireland.
3. Food security should be at the top of the agenda for CAP reform. If the European Commission does not invest in sustaining its own food production, it leaves the whole European population vulnerable to global food markets. In Northern Ireland, the agri-food sector is central to the economy. It continues to be the biggest contributor to Northern Ireland manufacturing, accounting for 23.8% of the total manufacturing sales in 2010 and increasing turnover by 8.3%; a phenomenal achievement during a recession.
4. There are concerns that the greening measures of permanent pasture, crop diversification and 7% for ecological focus area will increase bureaucracy, encourage farmers out of farming and reduce food production & competitiveness as well as having a detrimental effect on the wider agri-food sector.
5. The definitions in the draft proposals present challenges and could be deemed to be unworkable. The Committee is concerned as to whether robust and workable definitions of an “active farmer”, “small farmer”, “agricultural activity” and “permanent pasture” can be formulated. The definition of ‘young farmer’ is also a cause for concern. There should be a platform for each Member State to define these themselves and, as is the case within the UK, regional flexibility should be key.
6. There are concerns in Northern Ireland that soils will be designated as carbon rich and if this is labeled as permanent pasture in the reference year of 2014, it will not be ploughed, thus negatively impacting on reseeded pasture.
7. Greening measures could potentially decrease the diversity of agriculture in Northern Ireland.

8. Greening proposals, as they stand, do not meet the simplification agenda but may rather increase the burden on paying agents and farmers alike. Increased bureaucracy may encourage farmers out of the industry. Older farmers would be particularly vulnerable to this with the effect that a significant skill base in Northern Ireland could potentially be lost forever.
9. There is a real risk that the control and verification of poorly defined greening actions could overload paying agents and cause them to be susceptible to European Commission non-compliance fines.
10. The UK government should seek to negotiate a greater share of the rural development budget and allocate this to the regions as an acknowledgement of the different requirements of Northern Ireland compared to England. Furthermore, any new rural development programme must address the overall needs of rural communities, especially given the demographic trends in Northern Ireland – referenced, for example, at paragraph 8, above.

13 December 2011



Northern Ireland  
Assembly

**Paul Frew MLA, Chairperson  
Committee for Agriculture and Rural Development**

Miss Anne McIntosh MP  
Chairperson to the ERFA Committee  
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13 December 2011

Dear Miss McIntosh

**ERFA Committee Inquiry on 'Greening the CAP'**

As you may recall, I wrote to you in September to suggest that it might be useful for the Assembly's Committee to engage with the ERFA Committee on matters of mutual concern and interest. In that regard, I also enclosed the Assembly Committee's 'position paper' on the reform of CAP. When it became apparent that you did not get sight of the correspondence at that time, the documentation was re-issued. Thereafter, the European Commission published its draft legislative proposals and the Assembly Committee embarked upon a review of its position. Your Committee then announced a related Inquiry and the Assembly's Committee expressed an interest in making a submission, but we did indicate that it would not be possible for us to meet your deadline for the receipt of responses. The Committee had wanted to reflect on the draft legislative proposals, engage with the Northern Ireland Minister and her officials, and the Ulster Farmers' Union, and we had also arranged to meet the Oireachtas Joint Committee on Communications, Natural Resources and Agriculture to discuss the proposals with them – which we did, in mid-November. Subsequently, the European Parliament organised two 'cross-border events' in Cavan on 25 November and in Armagh on 2 December which also seemed relevant to our considerations. Indeed, I understood that, at least at one point in time, you might have been due to attend one, or other, event. Finally, the Assembly has established a European Advisory Panel which met, for the second time, on 5 December to discuss, inter alia, the reform of CAP and CFP. Diane Dodds, MEP and Jim Nicholson, MEP were in attendance although Northern Ireland's other MEP, Bairbre de Brun, was unable to be present as she was out of the country on other business. One of the messages coming from that particular event was the need for a corporate 'Northern Ireland' view to be conveyed, in a consistent way. In this regard, and when I wrote to you, originally, I made the point, on behalf of the Assembly's Committee, that it would be helpful if the

EFRA Committee were to lobby the Secretary of State to remind her of the need to represent the regional, as well as the national, interests in the CAP negotiations.

As a region of the United Kingdom, Northern Ireland has a different agricultural landscape than at least some of the other regions. In Northern Ireland, agriculture remains an important and critical employer with a labour force of 46,948 directly involved in agriculture, contributing £378 million gross value added to the local economy. This is more than double the UK average. The agri-food sector is the largest contributor to Northern Ireland manufacturing, accounting for 23.8% of the total manufacturing sales in 2010 and increasing turnover by 8.3%; a phenomenal achievement during a recession.

The Committee is concerned that the greening measures of permanent pasture, crop diversification and 7% for ecological focus areas are inappropriate and will increase bureaucracy and have the potential to discourage farmers from farming, reduce food production & also undermine their competitiveness. The Committee is also concerned about the lack of emphasis on food security, promotion of the agri-food sector and clarification on a number of definitions such as 'active farmer', 'small farmer', 'agricultural activity' and 'permanent pasture'.

When the Committee met, today, Members agreed the terms of the written evidence to your Committee's inquiry on greening on the CAP, and this is enclosed. It should be read, and considered, in conjunction with this letter. The Committee would welcome the opportunity to give oral evidence to the EFRA Committee, based on its written submission, not least because Members here are aware that your Committee does not have the benefit of a Northern Ireland MP as part of its present membership.

I have copied this letter, and attachments, to Minister Michelle O'Neill (in the Northern Ireland Executive), to all United Kingdom and Irish MEPs, to Northern Ireland's eighteen MPs at Westminster, to the Northern Ireland Affairs Committee (at Westminster), to the Joint Committee on Communications, Natural Resources and Agriculture (Houses of the Oireachtas), to Northern Ireland's representatives on the Committee of the Regions and to the Chair of the Northern Ireland Assembly's Committee for the Office of the First Minister and Deputy First Minister (which has lead responsibility for European affairs) as well as to the Chairs of the Assembly's Environment Committee and Enterprise, Trade and Investment Committee. The Committee intends to post this letter, the submission and the Executive Summary on its website.

I look forward to hearing from you.

Yours sincerely

Paul Frew  
Chairperson