



Northern Ireland  
Assembly

**Committee for Agriculture and Rural  
Development**

**OFFICIAL REPORT  
(Hansard)**

**Common Agricultural Policy Reform:  
European Commission Proposals**

**20 March 2012**

# NORTHERN IRELAND ASSEMBLY

## Committee for Agriculture and Rural Development

### Common Agricultural Policy Reform: European Commission Proposals

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**Members present for all or part of the proceedings:**

Mr Paul Frew (Chairperson)  
Mrs Dolores Kelly (Deputy Chairperson)  
Ms Michaela Boyle  
Mr Willie Clarke  
Mrs Jo-Anne Dobson  
Mr William Irwin  
Mr Oliver McMullan  
Mr Robin Swann

**Witnesses:**

Dr Rosemary Agnew	Department of Agriculture and Rural Development
Mr Norman Fulton	Department of Agriculture and Rural Development
Mrs Lorraine Lynas	Department of Agriculture and Rural Development

**The Chairperson:** I welcome from the Department of Agriculture and Rural Development (DARD) Norman Fulton, chief agricultural economist, and principal officers Rosemary Agnew and Lorraine Lynas. You are very welcome; it is good to see you again. I am sure, Norman, that you have a briefing for us and a presentation to give.

**Mr Norman Fulton (Department of Agriculture and Rural Development):** Very briefly, yes.

**The Chairperson:** We will then go straight into asking questions, if you do not mind. Without further ado, continue.

**Mr Fulton:** OK, thank you very much, Chairman. As you know, the European Commission published its proposals for common agricultural policy (CAP) reform in October last year. Shortly after that, we launched a consultation, which closed on 7 February 2012. As part of that consultation, we had a significant stakeholder conference in early December, with over 100 attendees. The conference provided additional information and analysis to help stakeholders in preparing their consultation responses.

We got 56 responses to the consultation. Of those, around 51 were substantive. I acknowledge the great deal of time, thought and effort that clearly went into our stakeholders' preparation of their responses. Many of the issues were covered in considerable depth and detail, and responses were

extremely comprehensive. All were published on the DARD website this morning, together with the summary that you have before you.

I will pick out some of the main messages from the consultation responses. In general, concerns were raised about the proposals' complexity. Many stakeholders thought that they did not represent the simplification of the CAP. If anything, the proposals would increase the amount of bureaucracy that stakeholders faced. Many also stressed the need for the CAP budget to be protected and the need to try to secure a greater pillar 2 allocation for Northern Ireland. Many also commented on more being done to incentivise production and to address the issue of food security.

Our consultation posed 26 questions, and we tried to structure the summary in front of you around the responses that we received. First, there was substantial emphasis from stakeholders on the need for flexibility with direct payments; for example, on the rate of transition towards flat-rate payments, on regionalisation in Northern Ireland, and on the detailed design of the scheme that we eventually implement here.

The majority of our stakeholders did not support the proposal that at least 40% of the basic payments budget should be allocated on a flat-rate basis in the first year and called for a longer and more flexible transition towards flat-rate payments. Concerns were raised about how the basic payment might be regionalised in Northern Ireland. I think that other stakeholders would welcome further consultation on that when those decisions have to be taken. We will certainly do that.

Although many supported the proposal to establish new entitlements based on land declarations in 2014, there were some concerns about the potential for that to distort the land market and conacre values and prices then. There is a genuine concern there.

There were widely differing views on greening, along the lines that you would expect. Farming and rural groups generally felt that greening under pillar 1 would create additional bureaucracy and complexity, and there were suggestions that greening should be applied at a regional level rather than at individual farmer level to avoid unnecessary bureaucracy for farmers and the Department. On the other hand, although environmental stakeholders welcomed the concept of greening, they expressed concerns about the detail of the proposals on the table.

Stakeholders were generally supportive of the option to provide additional support under pillar 1 in areas of natural constraints. The proposals for a mandatory top-up payment to young farmers were also broadly welcomed. Many respondents, for a variety of reasons, were in favour of the option of coupling payments. However, there was a concern that some member states would be allowed to recouple up to 10% of their direct payment budget, whereas others would be constrained to only 5%. That is a legitimate concern. In the main, no strong views were expressed on proposals to introduce a small farmers' scheme, although the majority of respondents were concerned that farmers in the scheme would be exempt from cross-compliance. There was significant support for capping and the need for support to be targeted at active farmers. There was concern about what the definition of "active farmer" would be. The proposal that the Commission put forward was not thought to be workable by our stakeholders. A number argued for a link to past production activity.

A large proportion of respondents agreed that there should be an option for member states to transfer moneys between pillar 1 and pillar 2, although that did not receive universal support. There was a consensus that the proposals as they stand would be more complex than the current system and difficult to administer.

Most respondents were content with the removal of the current access structure for rural development regulation. Most groups supported the proposed 25% minimum funding allocation to mitigate climate change and land management issues, although not all were agreed. Most felt that the priorities outlined were sound. The compulsory inclusion of agrienvironment was generally viewed as positive. Many rural groups also wanted tackling poverty and social exclusion to be a mandatory part of the programme.

Most supported the principle of an objectively based system for the designation of areas of natural constraint (ANC), but there was fairly widespread support for the idea that we should try to retain as

much of the current less-favoured areas (LFA) as possible in the new ANC boundary. Stakeholders were opposed to the proposed degressivity of payments should the new boundaries not be in place by 2014. They felt that there was a continued need for support in disadvantaged areas, with some stating that the new scheme should represent a significant change from the previous scheme. On risk management and income-stabilisation measures, there was a general view that dealing with risk was part and parcel of any business and, therefore, that risk management should not be supported through rural development initiatives.

Many welcomed the continuation of the LEADER approach and emphasised the need to simplify delivery structures to ensure effectiveness. There was substantial support for measures supporting innovation, co-operation and knowledge transfer. There was strong support for the extension of farm advisory services. Most respondents felt that the cross-compliance proposals would not lead to simplification. A number of consultees raised concerns about the proposal for a ban on first ploughing of carbon-rich soils.

That is a very quick run-through of some of the main messages that came out of the consultation responses. I cannot really do justice to the breadth and depth of responses that we received. I hope that that is better reflected in the summary that you have before you. I very much welcome the views of the Committee at this stage.

**The Chairperson:** Thank you very much, Mr Fulton, for your presentation. I will open the floor to questions. I am sure that we could ask five to 10 questions each on the subject, but I have one to ask at this point. You were at the seminar that we had a number of weeks ago with Mike Hamell. It was a very good and interesting seminar. The first question that was asked from the environmentalist side of the fence was on the greening proposals. The questioner felt that their introduction could lead to monoculture and people removing themselves from arable farming, particularly potato farming. That question was very telling, because of where it came from. Is that the rhythm of the consultation responses that the Department received? Is the environmental lobby saying that the greening measures are not what is needed, in reality, and that they could have the reverse effect and lead to monoculture?

**Mr Fulton:** It would be fair to say that, although they welcome the concept of greening, environmental groups are concerned that what is on the table will deliver very little for the environment and, worse than that, have detrimental effects on it, particularly if you are looking at such issues as crop diversification. As framed, crop diversification could provide an active disincentive in mixed farming scenarios and discourage people who are growing a small area of cereals on their holding for feeding their own livestock, for example. It could have a detrimental effect. That is recognised.

**The Chairperson:** I invite Committee members to ask questions, but I ask you to confine yourselves to asking one question. If we need to go around the table again, we will, because I know that you could open a catalogue of questions. We could have five to 10 questions each on this.

**Mrs D Kelly:** Thank you for your presentation, Norman. Were there any surprises in the consultation responses? If so, what were they?

**Mr Fulton:** I do not think that there were. The responses raised the same issues and expressed pretty much the same concerns that we have been expressing on the complexity of the overall proposals and the potential dangers of greening, for example. I do not think that you could identify any real surprises in the responses, which is reassuring. We were not taken unawares by anything.

**Mrs Dobson:** Thank you for your presentation. Are you concerned that the definitions, including "active farmer", "small farmer", "young farmer", and so forth, could lead to a dramatic increase in the bureaucratic burden already on farmers and DARD, and increase the risk of future non-compliance fines?

**Mr Fulton:** That is a major concern, given the sheer complexity of some of the issues that are being identified. On active farmers, for example, it is not a test of farming activity but a test of income. That would require the Department to access individual claimants' sources of income so that it would be

able to split that into a farming and a non-farming component. To be able to do that, and to do it in a timely fashion so that the Department is able to get payments out, is a major concern.

**Mrs Dobson:** What are you doing to make sure that the cost of processing claims does not dramatically increase DARD's internal administration costs? Have you any measures in place?

**Mr Fulton:** We do not have any measures in place yet. There is a set of proposals on the table, but they could change significantly. We have set up a number of groups in the Department to look at the range of proposals across pillar 1 and pillar 2, particularly pillar 2. We need to start thinking about the policy issues that should be addressed through pillar 2. In pillar 1, however, although the focus at this stage is on making sure that the framework is right, because that is what the negotiations are about, that focus will progress as we get further down the road and into thinking about the delivery issues.

**Mrs Dobson:** Do you think that they will cost more to administer?

**Mr Fulton:** Yes. The Commission has suggested a 15% increase in administration costs, compared with the current system. All member states across Europe will say that that is an underestimate. I do not think that anyone is suggesting that it could be as low as 15%.

**Mr W Clarke:** Sorry that I was late. We attended the peatlands restoration launch today. Is there scope to have multiple land managers working in a co-ordinated, regional way to restore peatland? Would that satisfy greening elements of CAP?

**Mr Fulton:** That sort of issue is probably more suited to pillar 2 than pillar 1 so that measures can be developed that are focused on the particular issues for peatlands. The difficulty with greening under pillar 1 is that measures have to be applicable to everyone and not particularly targeted at any specific issue or problem. Certainly, in the design of pillar 2 agrienvironment measures, you would have the potential to look at specific issues around peatland management and that co-operative-type working, because, on many of those issues, not just for peatlands but for other areas, you would probably get a better environmental outcome if farmers across an area were working together towards a common set of objectives.

**Mr McMullan:** I will stick in two very quick questions to make one. First, do you think that the proposals will keep production up or drive production down? Secondly, near the end of your presentation, you said that there was a difference — 5% and 10% were quoted — in different parts of the EU, about which there was concern. Can you elaborate on that a little?

**Mr Fulton:** The impact on production is a bit of a mixed bag. On greening, particularly the ecological focus area, there could be the potential to depress production, possibly more in cereals areas — the out-and-out arable areas — than in our areas necessarily. However, that has a knock-on effect on production across Europe and the cost of cereals, which have an important influence on the livestock sector. You could see negative impacts coming from that. On the positive side, attention has been paid in pillar 2 to innovation and to translating scientific knowledge into practices on farms, and trying to capture those benefits. That could have really beneficial effects on the competitiveness of our agricultural systems. As I said, we have a mixed bag.

The issue of the 5% and the 10% relates to the amount of the pillar 1 support budget that can be directed towards coupled support payments. In those member states, including us, that have fully decoupled their support regimes, under the proposals they would be allowed to recouple only 5% of their budget, whereas other member states that have not fully decoupled would effectively be allowed 10% towards the recoupling of support. We do not think that that is fair, and we will be saying that a common rate should be applied across Europe. It is, after all, supposed to be a level playing field. Therefore, we will certainly be arguing for that.

**Mr McMullan:** When the gentleman made his presentation at a previous meeting, I took it that it was going to be even across Europe. Why are there so many differences in Europe? We hear only about fines being given out here. There seems to be something unfair about Europe, and we cannot seem to sort things out. When fines are being given out, we seem to bear the brunt all the time — should it be

for hens or whatever — even though other parts of Europe have not complied. Why is that? Why do European commissioners or men from Europe come over here and tell us why things should be done?

**Mr Fulton:** We are obviously very attuned to our local situation. However, these are problems that paying agencies across Europe are struggling with. When you hear bizarre cases quoted, such as audit findings in Austria, Romania, and so on, you find that they are all struggling with the same sorts of issues. We do not really hear an awful lot about the fines that have been imposed or the disallowances that may have been imposed, but everybody is up against it.

**Mr McMullan:** Is there no such thing as an equality issue within Europe? The farmers and producers here are given fines, whereas producers in Europe in the same line of production are not given fines, even though they are still not meeting European standards. There has to be an equality issue in Europe itself about that.

**Mr Fulton:** Yes. I suppose that that could be an issue. The Commission and the auditors would say that they seek to ensure that regulations and directives are implemented fully across Europe. If they are implemented fully, there is a level playing field. I suppose you could ask how successful they are in doing that.

**The Chairperson:** That is not really a question for DARD.

**Mr McMullan:** It is not a question for here. I am sorry; thank you.

**Mr Irwin:** Thank you for your presentation. I must declare an interest as a farmer. One of my worries is that it has taken the Department some seven years, yet it still has not got on top of the existing single farm payment rules. Is it not imperative that regulations are simplified instead of intensified? Given some of the new proposals on active farming and all the rest, is it not vital that the Department fights its corner and ensures that there is not more regulation, which could create a bigger problem than there already is?

**Mr Fulton:** I absolutely agree with you. There needs to be simplification, and we have here a set of proposals that are more complicated than what we have already. At this point in time, we have a single farm payment. We will go to a minimum of four separate payments, and possibly six or even more if various options are pursued. So, under these proposals we are going into a much more complex landscape. Certainly, active farming has the potential to create great complications. Many people are saying, and we agree with them, that that particular set of proposals are next to unworkable and that pursuing them is very difficult. So, yes, it is a big concern. We are certainly making the points about that, but we are not alone in making them to the Commission.

**Mr Irwin:** It is very important.

**Mr Swann:** On the issue of the new entrant young farmers, I remember that the last scheme was launched when I was president of the Young Farmers' Clubs. The definition of new entrant and young farmer caused quite a concern. The issue was whether you were head of holding or how long you held a business number. That deterred a lot of proactive young farmers who were not necessarily new entrants, because they had taken on head of holding responsibility at a younger age. By increasing the age to 40, is there a risk that we will exclude the more proactive young farmers, because they will fall foul of the definition of new entrant young farmer?

**Mr Fulton:** The maximum age is 40. That reflects a very long-standing threshold that exists in European legislation. Certainly, on the definition of new entrant and head of holding, I have asked the Commission for its definition of head of holding. As you know, a traditional way for a young farmer to get involved in a business is to become a partner in it. So, if there is effectively a joint head of holding, does that count? The Commission had not really thought of that one, so we do not know the answer yet. Those practical issues, as well as the big principles, need to be addressed. A lot of that will fall to the implementing regulations, where a lot of the details will be laid down. Certainly, that is an issue on which we need clarity, as it has the potential to cause great difficulty.

**Mr Swann:** If we can get that definition right, it will also help succession planning, because it brings on the partnership running.

**Mr Fulton:** That is right, yes.

**The Chairperson:** Jo-Anne Dobson indicated that she wishes to ask another question. Do any other members want to ask another question?

**Mrs Dobson:** Following on from Robin's comments, do you think that providing large-scale capital grants to modernise farms is a better way to encourage young farmers to enter the industry? That is done in Scotland. What are your thoughts on that?

**Mr Fulton:** I think that, certainly at this time, there is provision in the proposals for enhanced creative support for young farmers.

**Mrs Lorraine Lynas (Department of Agriculture and Rural Development):** There is a farming business development measure, which has a focus on young farmers. That is based on a business plan and support through a flat rate payment of up to €70,000 over five years. That also applies to new businesses in rural areas, so there is a particular focus on farming business development. Support is also available under the physical investments measure for investment in agricultural holdings. That scheme is probably most similar to the old farm modernisation programme. There is a variety of options in the proposals, and it is just that the measures have been rebranded and repackaged. However, there are certainly measures that we can look at.

**Mrs Dobson:** I am thinking more of bigger grants for new buildings, similar to the provision in Scotland. That would certainly encourage people. In my own constituency, I know that there are many would-be farmers who may have gone to England or wherever and got careers but who would be very happy to come back to the farm if they could bring it up to a standard suitable enough for them to earn a decent income. Will you push for greater measures in pillar 2 that are specifically targeted at young farmers?

**Mr Fulton:** I think that that will be part of the overall consideration of what a programme would look like. We are still at the very early stages of working on that. At this point in time, there are mandatory elements in the pillar 1 proposals for new young farmers, but, when we implement it, we want to ensure that that additional support is going to genuine young farmers and not simply to people who are under a certain age limit and who happen to have land at their disposal. We would need to be able to say that, if you are involved in genuine production activity, you can pass through and receive additional support under pillar 1. So, that is an issue that we wish to push on.

**Mrs Dobson:** Do you have any other examples of measures that you would consider?

**Mr Fulton:** There are various options under pillar 2. You can have a bespoke new entrants measure. You can also have enhanced levels of support, under, for example, capital investment measures for new entrants. So, there are various ways of approaching that particular problem. We are just at the very early stages of thinking of options that might go into a new programme.

**Mr Swann:** I have a quick question about crop diversification. Is there any requirement that all three crops must be harvested?

**Mr Fulton:** I have not seen anything that says that, but if you are planting a crop —

**Mr Swann:** If there are 50 hectares, and you have to get across three crops, one of them has to be — what is the smallest amount?

**Mr Fulton:** No less than 5%.

**Mr Swann:** You are talking about 50 hectares. Working backwards, if you planted that out, you might not have a market for it, so there is no stipulation for harvesting.

**Mr Fulton:** I have not seen anything that stipulates that. The control in the proposal is that you simply ensure that you had that crop, but, beyond that, I have not seen anything that suggests that you have to harvest it or use it in any particular way.

**Mr Irwin:** I suggest that it would be a foolish farmer who grew a crop and did not want to harvest it.

**The Chairperson:** Are there any further questions? I suppose the matter is with the system and that it will go through the process from here on, Mr Fulton. I commend the Department for going through the consultation period on this. I think that it will be very useful for not only the Department, you and your officials but the Committee to get the strength of feeling out there. When you look through the questions that have been asked, you will see that you get a lot of agreement but also some conflicts. Some organisations are seeking clarification on some issues, and some of those are issues on which we are all seeking clarification at a European level. Where does the Department go from here? Are there some areas of the Department's position that you are reassessing? If so, and if you collate your information and have a position, how do we get that to the Department for Environment, Food and Rural Affairs (DEFRA) and then to Europe, so that we, as a Province, can really stamp our mark on the negotiations?

**Mr Fulton:** Now that the consultation is complete, the next steps in the process are to firm up the departmental line on all this over the next few weeks. We have been feeding our views to DEFRA, etc, on an ongoing basis. At this stage in the negotiations, we want to formalise our position. The intent is for the Minister to go out and see the Commission in mid-April and to present a formal position. Subject to the Minister's agreement, we will make that position available in a public document, which will be a statement of where we stand at this point in time.

Obviously, as the negotiations progress, proposals may be amended, and we will have to take different positions in response. We would certainly like to have a clear statement of where we stand at this point in time and to make that known publicly. We, along with the other devolved Administrations, are feeding into DEFRA on a daily basis, and it is then feeding into the council working groups. We are also providing briefing documents to our MEPs, because these issues are being debated in the Committee on Agriculture and Rural Development. So, we are actively using various communications channels to feed through our concerns and issues, and we are seeking clarification on some of the very detailed issues. Some of those issues will not get a response until the big framework has been settled. The Commission will then turn its attention to the implementing regulations, which is when a lot of these very detailed questions will have to be addressed. We will certainly seek to ensure that there is as much as clarity as possible so that it is not left to us to interpret it and so that, at some point down the road, an auditor will not come along and interpret it in a different direction. We certainly want to address that risk.

**The Chairperson:** Again, I commend you for your consultation in Northern Ireland. This may not be within your remit in the Department, but is the Department actively seeking out, and scouring Europe for, member states that are in a similar position to us, or is it looking for, if you like, streams and currents of opposition to what we want to see in place so that we could counter that argument or combat that drive in Europe? Given that there are so many member states, there could be a large lobby in support of a type of CAP that would be totally detrimental to Northern Ireland. Are we actively searching and scouring Europe for that scenario?

**Mr Fulton:** Certainly, an obvious alignment is the one with the Republic of Ireland. We have ministerial meetings regularly, and the issue is a standing item on the North/South Ministerial Council's (NSMC) agenda. We have met our counterparts at official level as well. As you would expect, there is a great deal of commonality on the issues. There is also useful sharing of ideas, which is very helpful.

When it comes to negotiation in Europe, DEFRA leads for the UK. So, we obviously have to go through that route. However, that, of course, does not stop us from expressing our views to the Commission, as we did when Mike Campbell was here. We had a very useful meeting with him after the Committee's event. Klaus-Dieter Borchardt will also be coming here in a few weeks' time. We think that that will be a good opportunity to go through in detail the issues that are of concern to us. Again,



we try to target the most appropriate channels for us to feed through our views. We have been getting feedback on the briefing notes that we are preparing for our MEPs, which we also shared with all Irish MEPs. The feedback is that they find them useful, and the fact that they welcome that information source is encouraging.

**The Chairperson:** I cannot remember her name, but I think that one of the Irish MEPs is rapporteur. Is that still the case?

**Mrs D Kelly:** Mairead McGuinness.

**The Chairperson:** She was rapporteur at one point; perhaps she still is.

OK. If there are no further questions, I thank you very much for your presentation and your answers today.