Northern Ireland Assembly

Committee for Agriculture and Rural Development

OFFICIAL REPORT (Hansard)

Common Agricultural Policy: Ulster Farmers' Union Briefing

17 February 2014

NORTHERN IRELAND ASSEMBLY

Committee for Agriculture and Rural Development

Common Agricultural Policy: Ulster Farmers' Union Briefing

17 February 2014

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 Ian Milne
Mr Robin Swann

Witnesses:

Mr Wesley Aston	Ulster Farmers' Union
Mr Clarke Black	Ulster Farmers' Union
Mr Harry Sinclair	Ulster Farmers' Union

The Chairperson: I welcome Harry Sinclair, president of the Ulster Farmers' Union (UFU); Clarke Black, chief executive of the Ulster Farmers' Union; and Wesley Aston, policy director of the Ulster Farmers' Union. You are no strangers to the Committee, of course, nonetheless you are welcome here to discuss this very important issue. It has been in the minds of all who deal with agriculture over the past number of years. It has not abated one bit; in fact, it has intensified. We know that you asked for the meeting, and we are happy to oblige on this important issue.

I must emphasise that we are very constrained for time. Members will ask questions, and you can give information through your answers. I will hold you to 15 minutes for an initial presentation, and then you can answer the questions as you see fit. Harry, are you leading off?

Mr Harry Sinclair (Ulster Farmers' Union): Thank you very much, Chair. We will try to get through this in 15 minutes. I will kick off. As you said, this is very important for the future of agriculture in Northern Ireland. You will all have received the presentation. We agree with DARD on a lot of the points. However, there are one or two areas where there are slight differences, and maybe we will dwell on those areas today rather than going through the whole thing.

I will start with the budget. The important thing to come out of the budget is the UK allocation, and that is reflective of the historical activity; the productive activity is very relevant to how we deal with it in Northern Ireland as we go forward.

With regard to the active farmer, I am pleased that we have come to a conclusion and seem to be moving in the right direction, but the biggest thing is getting information on the ground as there is so much confusion out there. Anything that anybody can do to make sure that that knowledge is transferred to people so that they are informed in the relevant time to make decisions is welcome. Transition and regionalisation are probably the two most controversial points at the moment, and we will dwell on those. Another issue that is rolling out is areas of natural constraint (ANCs). It is only coming to the fore, although it has been dwelling in the background for about five or six years. Europe made the decision not to mix it up in the middle of CAP reform. Therefore, it put back the decision-making so that nothing has to be done until 2018. The suggestion in DARD's consultation to bring it forward under pillar 1 would move away from that and force decisions to be made this year. We feel that that is the wrong thing to do. There is not enough information or follow-through of the process to get there. That is one of the main reasons why we feel that ANCs should not be in pillar 1 and should not be mixed up. Instead, the Department should follow the Commission's proposals to make it separate from the CAP reform and deal with it as a separate issue.

I will hand over to Wesley to make the presentation on transition and regionalisation.

Mr Wesley Aston (Ulster Farmers' Union): Thank you, president. I am conscious of time, and I want to run through this fairly quickly. I particularly want to concentrate on the regionalisation issue, because that probably needs a bit more explaining.

DARD proposed a 50% transition over a five-year period, and we support that. People need a bit of time to adapt to a new system and, if we can manage it over a 10-year period and achieve 50% over five years, we would be very supportive of that as far as people moving up and down are concerned. That is where we are on the Department's proposal on transition.

Regionalisation is the key one and is where the debate is at the minute. Our position is different from DARD's. DARD has proposed a single-region model, whereas we are looking at a two-region model but with additional support for cattle producers in severely disadvantaged area (SDA) and a separate Northern Ireland-wide suckler cow scheme to support the beef industry generally. We will come back to that.

The Agriculture Department has produced some figures and, in our briefing paper to the Committee, we provided a lovely coloured table. It would maybe be easier if I explained that as we go through it. That will help you to follow why the Ulster Farmers' Union has reached its position. Is everybody OK with that?

The Chairperson: It is on page 16 of the presentation.

Mr Aston: The left-hand side of the table details the different enterprises. Along the bottom of the table is a green band, which details the landowners. If non-farming landowners are to be excluded from the system and only active farmers are to be targeted, we can exclude those guys from the figure in the table on the basis that that money will be spread on a pro rata basis across everybody else. You can ignore the bottom green band.

The next two columns are the number of people who are involved in those sectors, and their current position under the existing system and how much money they get in total. Those are all DARD figures.

The next column details the figures for the tenth year of DARD's single-region proposal, and the final column details the figures for a two-region model, which is an SDA and other model. The "other" is taken as a disadvantaged area (DA) with the lowlands being the same. Largely, the average existing entitlements in those areas are not much different, and there is a lot of logic in lumping those two regions together as a single region in another section.

Starting on the right-hand side of the two-region model, when we look at ring-fencing money in the SDA and DA/lowland combined area, what happens is that no money moves in or out, so, effectively, the money in those areas remains the same. However, as we are heading to a flat-rate payment across all farmers under the new system what will happen is that, between sectors, the higher value entitlements will transfer money to the lower value entitlements. Typically, with the SDA, the higher value entitlements were generated by cattle producers, both beef and dairy farmers, and the lower value entitlements are the sheep farmers.

If you have an SDA-only region, while the money does not change or move in or out, it will transfer from the cattle guys to the sheep guys, and that is shown in the figures on the very right-hand side of the table. There are two particular boxes in that section that I want to draw your attention to. The first is the red box that shows a figure of -22·5% for the SDA cattle producers, and the second is the one above, which is a kind of orange colour, and that shows the figure of -26·6% for SDA dairy farmers. So, cattle producers, both beef and diary, will effectively lose very significant amounts of their money.

The Agriculture Department has said that it cannot defend that. Even though the sheep guys will gain more money, it will mean that those who depend so very heavily on support for their income will lose out very significantly and their futures could be jeopardised. Against that backdrop, DARD's solution to that problem is to make Northern Ireland one region and effectively pump more money into the SDA from the outside, which is the DA and the lowlands. The amount of money will remain the same, but more money will be taken from the DA and the lowlands and be pumped into the SDA generally. So, not only would you address the cattle issue in the SDA by having a single region but you would give more money to sheep farmers in the SDA. They are already gaining from the transition in the SDA in its own right.

DARD's solution is the single-region model, which is the one shown in the middle of the table. When you compare that scenario with the two-region model, you see that the SDA cattle guys lose 8%, which is still a benefit, instead of 22·5%, and that the SDA dairy farmers lose 16% instead of 26%. Sheep producers gain 87%, whereas, under a two-region model, they only gain 54%. That is largely because they are extensive farmers who have large areas of land on which there is very little stock. However, as I mentioned earlier, the difficulty with the single-region model is that you take money from the DA and lowland producers. So, all the other sectors outside the SDA ones — dairy, cattle, sheep and mixed — lose more under a single-region model. You can see that all the figures in yellow for the single-region model are significantly higher than the comparative figures for the same sectors under the two-region model.

We as an organisation have looked at that. We recognise that the two-region model creates a difficulty for the SDA cattle producers. However, we also recognise that a move towards a single-region model would take significant amounts of money from productive agriculture in the DA and lowlands. Against that background, we have said that, over and above DARD's single-region model, there is another way to solve the SDA cattle problem, and that is to have the two-region model, as outlined here, but do a bit more and specifically target additional support at the SDA cattle producers, dairy farmers and beef farmers, and not necessarily give any more support to the sheep producers. By doing that, you take less off the DA and lowland producers — they could still lose under that model, because the money has to come from somewhere — but, at the same time, it means that the SDA cattle producers' losses are offset. We want to go further and bring them back to where they are currently. As I say, under the single-region model, SDA cattle producers will still lose 8%. We want to bring them back to a 0% loss. We want our model to be better for them than the DARD single-region model and to cost less for everybody else by having a more targeted support scheme.

We propose to do that in two ways. First, we want to have some sort of system that pumps money into the pot for SDA cattle producers, probably from a pillar 1 scenario but preferably within the rural development pillar 2 funding. Secondly, separate from that, we recognise that suckler cows across the whole of Northern Ireland are a vulnerable sector. Under the CAP proposals, you can do something to target them. So, separate from the regionalisation issue, we will look to do something for suckler cows across the DA and lowlands as well as the SDA in Northern Ireland. So, there are two elements to our model. It is a basic two-region model, with some sort of support for SDA cattle producers to offset the fact that they will lose money under the two-region model, which they would not do under the single-region model, and with something for suckler cows over and above that.

That is a very quick rundown of where we are. The final thing that I will mention — this was mentioned at the outset — is the budget. We feel that the issue of productive agriculture is important. That is why this is all about targeting support at productive agriculture. So, we in the UFU are going to try to target that, as we did in the last reform. However, over and above that, there is the genuine threat of the UK reallocation of money. We have staved that off up to now, but, in 2017, the Scots will revisit it. We know that, if we move to a single-region model for the whole of the UK, the Northern Ireland pot could lose up to €100 million every single year. That is just under a third of our total pot of money, so it is a huge amount of money to take away from Northern Ireland agriculture. We feel that we have justified the allocation on the basis of productive agriculture. If we in Northern Ireland have the chance to do our own thing but do that on the basis of a single-region model as opposed to productive agriculture, we will weaken our argument very significantly with the Scottish, who are saying that they want a single-region model across the whole of the UK. We have argued for productive agriculture, so if we do something different locally, we will weaken our argument very significantly.

At this point, I will hand back to the president. Thank you.

Mr Sinclair: That was a quick presentation of the main points in our response. As I said at the outset, we agree with a lot of DARD's consultation proposals, but we felt that it was important to explain the reasoning behind our proposals, because there has been a lot of confusion out there on the ground.

The Chairperson: Thank you. Clarke, do you want to add anything at this stage?

Mr Clarke Black (Ulster Farmers' Union): No, but I am happy enough to take any questions.

The Chairperson: OK. Thank you very much for your presentation. For a number of weeks, there has been a raging debate about this issue, not least among some in the SDA. Those in Fermanagh have probably been more vocal. There are other areas and other, if you like, discrepancies in debates, such as the Belfast hills, even North Antrim, which is my constituency. Everywhere is affected. Although you argue for a holistic approach and support for sectors to alleviate concerns, where has there been a breakdown in communication? Although it is maybe regrettable that people are not going to the Minister and the Department with one voice, how do you counter that?

Mr Sinclair: It was disappointing that the DARD consultation had only two options on the table to start with, and neither was beneficial to productive agriculture in Northern Ireland because both models take money away from production. It is easy to lobby if you are in a single geographical area or single sector, but if you are trying to look holistically at agriculture in Northern Ireland, you have to take on board all sectors and all areas. As a union, we have tried to take that holistic view of Northern Ireland rather than be specific in region or sector.

Mr Black: I believe that an awful lot of misinformation has been floating around. The basic piece of misinformation was that a two-region proposal was about taking money off one region and giving it to another, which is absolutely not the case. The money is ring-fenced for those areas, so whatever money was created and is in those areas is remaining in those areas in a two-region model. A single-region model, in actual fact, starts to move money around, which is the opposite.

The other big argument in how it is being portrayed is whether it is against small farmers or big farmers. In actual fact, in many cases, the largest beneficiaries of a single-region model would be large landowners in the hills — people who own large quantities of land in an SDA. The amount of money that will be transferring there will be stark. There are certainly many small farmers in the lowland, and particularly in the DA, who will suffer badly from anything other than a two-region model.

The Chairperson: Some of us would argue that money has to be targeted towards food production, and I know that the Ulster Farmers' Union, looking in a holistic way at Northern Ireland, would view it in a similar way. We now have the Minister making statements, in Wexford, I think, indicating that convergence should be speeded up, whereas some of us are arguing that there should be a longer period for change and convergence in order to let businesses plan and build a business case. What are your views on the latest statement?

Mr Sinclair: We still hold strongly to the original proposals and the consultation proposals. A 10-year transition period is manageable. That would give businesses time to adapt. In England, it took seven or eight years to get there. It also took that time in other parts of Europe. With the level of borrowing that is attached to businesses, 10 years is manageable. Although it was possible within Europe to have a longer transition period, we felt that a 10-year period was manageable from both sides of the equation.

Mr Black: If the focus is on productive agriculture, the current level of support payments was created on the back of production, albeit in the early 2000s. We would not have seen any major shift. The people who were producing then are, by and large, still doing so today. We have not moved, as has happened in Scotland, towards slipper farmers; we are still very focused on production agriculture. The people who created the total amount of money and the individual amount of money are still, by and large, the people who are producing food at the moment. Any move towards shifting money around will move it away from those people who are currently producing.

The Chairperson: I remind members to keep to one question and a supplementary so that we can go round again if need be. This is a single issue Committee meeting.

Mrs Dobson: Thank you for your briefing, gentlemen. We met you recently along with Jim Nicholson MEP and it was very informative. In that meeting, we discussed the designation of areas of natural constraint, and we spoke about the possibility of the Department holding a consultation on that issue. Subsequently, I submitted a question about the Department doing a separate consultation, but the Minister was very woolly and did not promise anything. Can you update us on your views about that?

Mr Sinclair: When the matter was discussed at European level, it was decided at European level that it was wrong to mix the two up in the one debate. The designation has been ongoing and we have been feeding into it to try to have Northern Ireland included as part of it. Originally, it would have been hard to get Northern Ireland designated because wetness was not factored into the calculation; they considered dryness to be the problem.

This has been going on for five or six years in Europe, and all of a sudden, we had provisional maps printed only a week or so before Christmas. It is wrong to be suddenly forced into trying to designate these areas within a short time when Europe is saying that it is the wrong thing to do. We need to have time to make sure that the rules suit Northern Ireland and to consult with Europe to make sure that that happens.

Mrs Dobson: That is very concerning. In her response to me, the Minister said:

> *"at this stage, I cannot give a timetable for a possible consultation on this matter."*

That is disappointing, so we all share the same concerns.

Mr Sinclair: It is that big a change, it needs a consultation time.

Mrs Dobson: Quite rightly, you said that there is so much confusion and misinformation out there. Like others, I am constantly being stopped by farmers who are asking me what is going on. I am getting a lot of questions about suckler cows. In your presentation, you said that it is such a vulnerable sector. The sector is in real danger. Can you update us on what, ideally, you would like to see happening or what can happen?

Mr Sinclair: In Wesley's presentation, he said that there were two parts to the additional support, apart from regionality. One was cattle and SDA, and they would lose out because of the model. Also, there is a recognition that suckler cows is a vulnerable sector across the whole of Northern Ireland. Although no one wants to go back to direct coupled payment support, some sort of financial package should be put together to improve the profitability of that sector and make it more efficient and more competitive. Our counterparts in the South have announced their line on it, and we feel that it is important that the suckler industry in Northern Ireland should be in the same position. A direct coupled payment would not be the right thing, but some sort of a payment to improve competitiveness and efficiency would be the way to do it.

Mrs Dobson: Certainly, that is what the farmers want.

Mr Sinclair: That should be funded out of pillar 2, because that leaves more opportunity to do it rather than having a direct coupled payment.

Mr Swann: Thank you, gentlemen. Clarke, you said that the support was based on production, and that is the way it should be. No matter which of the two models is adopted, however, it is the dairy sector that loses, with the quota gone and bad prices on the market. Is there a redress there that you should be looking for as well, rather than just for the suckler cow sector?

Mr Black: The basis of this reform is about moving towards a flat-rate payment and away from productive agriculture. Although we do not necessarily agree with that, we have to accept that that is what is happening throughout Europe. We are trying to make sure that there is a period of time to allow productive farms to change and to adapt their current situations to the new model, whatever that model will be. They should be given a long period of transition — up to 10 years — to do so. They should also retain as much support for as long as possible. Those are the principles we have been working on.

We do not think that we can change the Commission's approach to moving towards a flat-rate payment; that will happen over time. However, the Commission recognised that it should happen over a longer period. It has allowed member states the flexibility to do that. It would be very much a retrograde step if we did not take advantage of the opportunity being presented to us by the Commission.

Mr Byrne: I welcome the three gentlemen and thank them for their presentation. I have attended two meetings on these matters, one in Omagh and one in Strabane, which were very well attended.

How do you answer the argument that, in order to have fairness and equity, the single zone option provides the best opportunity in that there is a competitive advantage for the lowland farmer because of his soil types whereas those in upland areas suffer from ANCs, poorer soil types and less production?

Secondly, is the default position that if, come August, there is no agreement with Brussels, that will quicken the pace of everything?

Mr Sinclair: I will take the first question. If you were looking at single farm payment (SFP) as being the only mechanism on the ground, you could say that a single flat rate would be the best way to have equality across the board. However, for farmers in ANCs, and less-favoured areas (LFAs) as we still refer to them, there is an LFA payment to make up the difference in what those farmers are paid because of the physical disadvantage of those difficult areas.

The other thing is that a lot of the public goods, and environmental goods, are delivered through those areas. A lot of it is paid additionally, through agrienvironment schemes. You have to look at the overall picture when taking equality of payments and value for money into account.

Mr Black: Wesley may be even better placed to take the question about the default position. The default position is seriously worrying.

Mr Byrne: Is there a looming threat to us?

Mr Black: We think that there is a threat to us. If no decision is made, the default position is that we will go to a flat-rate position immediately, which will change the whole shape of support for Northern Ireland agriculture overnight.

Mr Irwin: I apologise for being late; I had a meeting in my constituency before I came here. I want to ask about the regional model and your view on whether some sort of support should be in place for the suckler or beef sector. I declare an interest as a farmer. I have some concern for the future of the suckler beef sector if there is not some payment, although I am not sure how that payment could be made. Is there a payment made to the beef sector in the Republic and Scotland?

Mr Sinclair: Scotland had a payment in its historical payment system. The South had a suckler cow welfare scheme. The South already announced its next pillar 2 budget, and there will be a payment in that. Scotland is still in the consultation period for the future scheme. The feeling is that there will be a payment for suckler-produced beef in Scotland as well, but it has not —

Mr Irwin: In other words, if there is a will, then a way can be found to deliver it.

Mr Black: At less cost too, because it is targeted; that is the key.

Mr Irwin: It is one of my major concerns. Most people recognise that there is a lot of pressure on suckler producers and it is important that some way is found to help them.

The Chairperson: Has the Minister met the Ulster Farmers' Union on this issue?

Mr Sinclair: We are in the process of setting up a meeting with the Minister. A meeting was requested and was accepted. It is just a matter of setting a date.

Mr Aston: The consultation period finished on 17 January. Once our position was finalised, we asked for a meeting.

The Chairperson: OK.

Mr Byrne: Chairman, I have a supplementary question to your question. What about the negotiations with senior officials? Obviously, the devil is in the detail with all of these things. Is there much discussion going on between you and senior officials?

Mr Aston: Discussions on the detail are ongoing. They have to take place, but, until you establish the principles, there is little point in heading off into the detail at this stage. However, a lot of detailed issues have to be sorted out between now and 1 January next year.

The Chairperson: With regard to Joe's first question on the time frame, decisions having to be made, and the fact that Europe could well impose a flat rate on us overnight: what is your understanding? I understand that you have not met the Minister, but, as far as the officials are concerned, what is your understanding of the process and timescales? When we met officials last week — on the rural development programme for instance — we asked them when they would be taking their proposals, no matter what they looked like, to the Executive and bid for additional funding. Have you had any discussions with, or indications from, the Department as to when it will have its plans in place to go to the Executive and bid for funding?

Mr Black: May I deal with that in two bits? First, the Department's position is that it should be a 10-year transition. We know that we can only go for the next five years because there may be a completely different regime after the next reform. The Department's position is that there should be a linear transition of 50% — 10% of the difference each year. We assume that that is the Minister's position. If that is the case, it is good for the industry; it will allow it to adapt over that period and allow change to take place as we move towards that. That is what we believe is the Department's position and, therefore, I guess we believe it to be the Minister's position.

Secondly, as regards moving cash around: we just do not believe that it can be done unless we take some time to do it and make sure that we have time to adapt. That is our view.

The Chairperson: Do you have any indication of the money that would be involved in the two-region additional support model you are proposing?

Mr Black: SDA cattle, which currently get about £54 million, will get £42 million at the end of the 10 years, so the difference will be £12 million. That will be the case once everything works its way through. It will not be as much as that in the intervening period. That is what we mean by a targeted scheme. When you look at the significant amounts of money that all the other sectors will lose, then this is the difference, and it is where having a focused, targeted scheme is the right thing to do. We also believe that there is room within the current rural development budget providing the Department continues to fund it at the current level. We are not asking for more money, just a continuation at the same level.

Mr McMullan: What is your view of the outcome of the meeting in Fermanagh? Are those farmers right, misguided or are they acting on misinformation?

Mr Sinclair: We are going only on what was reported in the press after the meeting in Fermanagh, and a lot of the items quoted in the press were wrong. The information, the facts and some of the figures were wrong. You have to compare the situation today to where the two models will take people, rather than compare the two models alone. As I said at the start, it is easy to be in an area where you want to bring in more money, but that money has to come from somebody else in order to raise the payment to the regional average in the whole of Northern Ireland as an SDA area. The money has to transfer from active production in the lowlands. In fact, doing some quick figures, we reckon that a farmer with a 50-cow suckler herd in a disadvantaged area, between losing the LFA payment and moving to a single region across Northern Ireland, could lose as much as £9,000 per annum. That puts the average farmer in a very vulnerable position.

Mr McMullan: So the meeting in Fermanagh was —

Mr Aston: At that stage, a lot of misinformation was going about, because we had only finalised our position pre-Christmas. We started a series of meetings around Northern Ireland and had one in Enniskillen, in Derrygonnelly, not long before that. We have to get out there and explain our position in the same way that we are explaining it to the Committee today. We met the Agri-Food Strategy

Board last week and explained our position to it. It is about trying to get the detail out, because it is not a simple choice between a single-region or two-region model. We have a third model, which is a two-region model plus some sort of targeted support for SDA cattle producers, and we have explained that to people. Joe rightly pointed out the meetings we have had. We have seen 2,500 to 3,000 people at several meetings over January and into February, and, apart from a number of individuals, the vast majority do not question our position on regionalisation once they understand it, because it is about genuinely trying to get productive agriculture back to where it was.

Mr McMullan: Have you spoken to the people in Fermanagh?

Mr Black: Yes.

Mr McMullan: Do they agree with your rationalisation once you explain it to them?

Mr Black: We do not necessarily expect everybody to agree with everything we say. That is a given. For example, there were some issues in Fermanagh regarding the figures for the difference between what the SDA model will be getting and what the lowland will be getting, which were quoted at the start of the meeting. The advertisement for the meeting said that farmers would lose a certain amount of money. In fact, a single region model would be halfway between the two figures. It is not the £100 a hectare that was advertised. So, there was a blatant piece of misinformation to start with. When people start to realise that, it is different, and, when you start to look at what it takes to deal with the issue created by that, people start to look at it more sensibly. However, in a system where you are moving from what somebody currently has towards a flat-rate payment, the simple mathematics of averaging is that there will be almost as many losers as winners. We hear a lot from people who believe that they will be losing but we are not hearing anything from those who think that they will win out of this. That is natural.

Mr Milne: Misinformation has been mentioned quite a few times. Where is it coming from? Is it misinformation because it is not your perspective?

Mr Sinclair: No. Clarke explained the one about losing £100 per hectare. The guys in severely disadvantaged regions, through going to a single region, will gain €60 a hectare. People in disadvantaged areas and lone farmers will lose €50 or €60 a hectare. It is about how you present the figures. There is no way they can get €100 a hectare more, because, if we go to the regional average, all it does is bring it up €60 a hectare. So, €100 is not on the table at all.

Mr Black: Can I you give you another example? People, for whatever reason, are selective in the information they use. For example, I am sure you heard an argument that sheep farmers lost a lot in the previous reform in 2005. If you take one piece of information from that, the argument holds weight, because the ewe premium that sheep farmers had prior to the 2005 reform was reduced by 35%: they got 65% of what they used to get. If you take that simple fact, you can make the argument that they lost out. However, the reform was designed, and an area-part payment was put into it, to make sure that people who lost that amount of money got it back again. So, if a farmer in the hills had a stocking rate of over six ewes per hectare, which none of them did, they would have broken even. Anybody who was stocking below that number got more, because you have to add in the area payment.

So, anybody can be selective. They can take one piece of information, say something and have something that will prove their point. However, we have dealt with the holistic approach for the whole of Northern Ireland agriculture in two or three reforms, and we are doing exactly the same again.

Mr Milne: What is so wrong with having one approach for all farmers? Are you saying that you want a two-tier system in farming?

Mr Sinclair: From day one, our objective was to try to maintain as much money in productive agriculture as we could. In 2005, it was exactly the same. A single-region model does not do that: it moves money away from production. In Northern Ireland, we have the Agri-Food Strategy Board proposing the Going for Growth strategy. Agriculture will not deliver that strategy with a single-region model in Northern Ireland.

Mr Aston: We have no issues about geographical areas or sectors; we are trying to do what is right for the whole of Northern Ireland agriculture and therefore the economy.

Mr Byrne: The other issue raging out there is the 2014 SFP application form. Some people are in difficulty because they are landowners and they rented out their land as conacre; others have fairly substantial farm businesses and rely on conacre to boost their acreage to have a viable business operation. What is the general advice on this? Listening to the media, it will have to be dealt with by April.

Mr Sinclair: At the start, I mentioned that we have been putting that issue to DARD, which has put a question-and-answer section on its website and updates it daily as more information is included. DARD also put it in local newspapers This has to be communicated to landowners, because they have to understand the implications. Although no decision has been made, there is also nothing in black and white. We can advise people only as we see it, because no decision has been made. This is a difficult position, because we cannot tell anyone what is going to happen.

Mr Aston: We want to try to secure the existing pot of money on a particular piece of land, assuming it is conacre, between the landowner and the tenant. We want to try to secure the money on that land for the parties involved. They need information so that they can have a proper and informed discussion on how best to address the matter in their circumstances. Everybody's circumstances are different, and everybody's solutions will be different, but it is important that the information gets out there and that those discussions take place.

Unfortunately, the timescale is very tight. To meet the rules on transfers, you have to have entitlements traded by 2 April, which is not that far away. To be fair to DARD, it has put out a question-and-answer document and intends to write to all 38,000 SFP claimants, including landowners, to help that debate go forward. Unfortunately, that needs to happen now.

Mr Irwin: It is unfortunate that there has been no clear guidance to farmers so far. There are only a few weeks for entitlements to be transferred. I presume that the date is set, although I have not looked at it. It is not being set by our Department, so it cannot be changed, which means that we cannot roll the date forward a bit. As regards active farmers, I am from the orchard county, and we have farmers who might have 10 acres of orchard and let the rest of their land. Will those 10 acres of orchard be enough to count them as active for the rest of their farm?

Mr Sinclair: The actual wording of the Commission proposal in its delegated acts refers to every parcel of land. Basically, it is down to field level and whoever actually farms each individual parcel of land.

Mr Aston: In theory, you have to meet the minimum threshold, which is 12·5 acres. Therefore, in the example you gave, that producer would be too small to get into the system. However, assuming that farmers meet the minimum threshold, they can lump all the money they have on to the land that they farm. If they are farming, they can secure the money on their land. As regards the land that has been let out, the person farming that land draws their money down on that instead. This goes back to the issue about trying to get clear guidance on where people have the option to let them decide what they want to do themselves.

Mr Irwin: Yes, but that is the difficulty at the moment.

Mr McMullan: With regard to the Going for Growth strategy, when they were talking about moving money from pillar 1 to pillar 2, you are quoted as saying, "We could live with 9%".

Mr Sinclair: I do not think —

Mr McMullan: No, you are quoted on that.

Mr Sinclair: We said that less than 9% would be better than where we were.

Mr McMullan: Believe me, the wording is, "We could live with 9%". What changed you from 9% to zero in the space of a week?

Mr Sinclair: We only responded to the events that happened. We never said any percentages when the debate was going on. We commented after decisions were made, to be fair.

Mr Aston: We did not refer to 9%. I think that our exact wording was that, because of the issue about suckler cows and things, a pillar transfer might be required, and we were prepared to accept that. We did not put a figure on it.

Mr McMullan: In fact, in one of the farming things, you are quoted as saying 9%. I just wondered what changed you from 9% to zero.

The Chairperson: With all due respect, the Ulster Farmers' Union has clarified that here in person, Oliver.

Mr McMullan: That is why I am asking the Farmers' Union.

The Chairperson: We can quote papers, but the papers are not here.

Mr McMullan: I know that. So, that paper was wrong.

Mr Aston: If the paper said that, yes.

Mr Milne: Is there a danger of having two opposites? Those who are going to lose out are going to be automatically fighting the case and wanting to extend the period for as long as possible — 10 years or whatever. However, people where I come from are saying that the quicker the flat rate is introduced the better, because they want a piece of the action too. How are we going to marry those two? How are we going to get a happy medium, or is there a happy medium?

Mr Sinclair: We felt that transition was a happy medium. Those holding higher payments said that we should not be accepting any transition and should not be moving money at all. As a union, we looked at that and have taken that point. We have members, for instance on the productive horticultural sector, who said that they would like to see movement happen more quickly, but a lot of businesses recognise, because of their commitments and to stop an economic crisis, that we need a managed transition for people to change their practices. Therefore, we feel that the 10-year transition, or 10% a year, is manageable, and that has been our position through our committees. We recognise that there are people on both sides, but, as an industry, we feel that we would be in the middle.

Mr Black: Can I take this to a different level? The same arguments and discussions have been had at UK level. We made a very strong argument, supported by the Minister, that the amount of money created in Northern Ireland should stay in Northern Ireland. They talked about a historic key. The distribution of money between the four UK regions — England, Scotland, Wales and Northern Ireland — would be done in the same fashion as before. Now, the argument that Scotland made was that their average payment is €130 a hectare and Northern Ireland's average payment is €329 a hectare. They made the argument that we should move to a flat rate, and they would like to see that moving quickly as well. If, having made and won the argument that the amount that each region historically created and has should stay in each of those regions, we suddenly, as soon as we have got the money home in Northern Ireland, say, "No, we will throw that argument out the window, and we will just divide it up evenly among everybody else", we believe that that would undermine the UK argument completely. Scotland could say, "Well, those fellows over in Northern Ireland argued that they were going to give it to the people in productive agriculture who had created it, and as soon as they got it, they divided it up evenly, so why would you not then have that situation in the UK?".

On Monday last week, I was in Scotland and heard George Eustice speak for Owen Paterson to say that they were going to look in 2017 at a suggestion made by Scotland that all land in the UK — equal types of land — would have equal types of payment. In Northern Ireland, we do not have any top-quality land; our land is all uplands, DA land, and lowlands. It is all land at the middle- to bottom-quality range. Again, for us, I think that that would just strip a lot of money out of Northern Ireland. If we go to an average payment for the UK, we will lose €100 million a year. We would go down from an average of €329 to €229, which is a third of our payment. We will see the outworkings of the suggestions that the Scots have put to DEFRA, but I do not see that that will be good for Northern Ireland at all. It will be about sucking money out of Northern Ireland.

Mr Aston: This is a genuine fear that we have.

Mr Black: That is in 2017; we are not even at the end of it.

The Chairperson: Sorry, Wesley, did you want to add to that?

Mr Aston: We certainly will not be held responsible for the transfer of €100 million of Northern Ireland's money across to Scotland every year, but we feel that, if this decision is taken for a single region, the door is open and that could happen very quickly.

Mr McAleer: I go back to the topic of the transfer issue. On the back of your winter meeting, you accepted that it may be necessary to transfer some funds to support specific targeted schemes. In the light of that transfer not being able to happen now because of the court challenge, what impact do you think that that will have on the specific targeted schemes that you were referring to?

Mr Sinclair: As Clarke said earlier, we still believe that there is enough money in the pillar, provided that it is match funded to the same amount that it is today, to target those schemes. It is just that the budget has to be managed carefully and prioritised.

Mr McAleer: Well, the budget is probably in the region of £200 million, so it is not a massive budget; there is €227 million. What I am saying is that, at this time, that is a much lower contribution when compared with previous years. Would you support a call for DFP and the Executive to top up pillar 2 in light of that?

Mr Sinclair: We have already made the call. At the moment, the same level of funding that was put in to it would double the pot of money that DARD is currently putting into it, and we can see no reason why that should not happen.

Mr Black: The current programme was match funded at a certain level. DARD is putting in, we understand, about £30 million a year to match fund the current programme. If you take €227 million and, given that it is going to be a six-year programme instead of a seven-year one, six times £30 million is £180 million. Taken at whatever exchange rate you want to use, it will take it up to very nearly the same amount again. That is £450 million, as opposed to £550 million. There are no massive amounts of money floating around the rural development programme. It will have to be prioritised. We believe that, by prioritising and doing it this way, it will be less cost than if a transfer was taken from everybody's payment. This would be a better way of doing it.

Mr Aston: In that, our three priorities for the rural development programme are agrienvironment schemes, because under EU rules you have to put a certain amount in there; the suckler scheme that we talked about for the whole of Northern Ireland; and, on top of that, LFA support or the ANC scheme, which is for the SDA areas that we all talked about earlier. Those are our three core priorities in the rural development programme. As Harry and Clarke outlined, in the budget that we anticipate, provided that it is match funded by our Executive, that money can be used for those things and to help deliver the Agri-Food Strategy Board report.

Mr Black: Can I just add one point? Say, for example, we were thinking about helping the SDA cattle guys. The thing you have to remember is that, had there been a pillar transfer, the loss would have been even more, because it still would have come off. If it had been 7% or 9%, or whatever the amount of money, it still would have come off the SDA. So, you would have needed more to take them back up to where they were. A pillar transfer takes it off everybody, including the people you are trying to help. It takes some money off them, so you need to put more money in to get them back to where they were. It would have helped your rural development programme, and might very easily have helped the Executive, for DARD to put less match funding in. What we have said is this: put the same match funding in and you will still have a programme that is significantly robust enough, if it is prioritised, to do this. The SDA cattle folks will not have 7% or 9% or whatever it is — if you were in Wales, it would be 15% — taken off them in the first place.

The Chairperson: We have delved into the debate around the transfer. The Executive have yet to make a decision on match funding and there is no reason to suggest that they will not carry on as they have done with rural development programme money. So, you have the rural development programme. You also mentioned, a number of times, the Going for Growth strategy. If DARD implements a single region, how, if at all, would that hamper the progress of Going for Growth? You talked about the £400 million that the industry and government invests. How would that be hamstrung?

Mr Sinclair: To date, the single farm payment has been targeted at productive agriculture. We have to look only at the income figure for agriculture to see that 87% of total agriculture income was single farm payments. You have to look only at the percentages of reduction in the active production sectors to see that those businesses will not have the match funding to make the investment in the Going for Growth target if you reduce their single farm payment by that dramatic amount. The question is this: do you feel that, by moving the money to the top of the hill, growth and production are going to come from those areas? As an organisation, we believe that it is important to take the reduction from all over and to support those areas. We do not believe that moving excessive amounts of money into that area will deliver the growth potential. We feel that it would stifle opportunity for growth in other areas by taking the money away from it.

Mr Milne: Can you explain to me how England, Scotland and Wales agreed to transfer up to 15% and here did not? What is unique about here in comparison with those other regions?

Mr Sinclair: The transfer of money was a political decision, not an industry decision. Naturally, any industry is going to say that it does not want any transfer, because it moves money away from the active farmer. It is another tax, basically. While we have accepted it, and could see a reason at that time for a transfer to deliver some of the options, our number one option would always be to have no transfer, because it takes money directly off our members. The actual decision on making levels is a political agreement between the Department and the Government.

Mr Black: Transfer of moneys between pillars is unique. No transfer is the not-unique part. If you look at most of the other European countries, you will see that they are not transferring money. In the most recent programme, only two member states — the UK and Portugal — transferred money. So, all other member states did not transfer. The actual fact of not transferring money is the not-unique part. The unique bit is the people who want to transfer money, and DEFRA went in with a very strong pitch and said that it was going to transfer money anyway. That was its negotiating position. All the other major agriculture countries are not transferring money.

Mr Irwin: The opinion of the union is that a two-region model would help the suckler beef sector; it would more or less help the sector that would be losing something. Have you any idea how much would be needed to do that?

Mr Sinclair: Let me clarify that. Our proposal is the two-region model with additional support specifically to cattle and SDA, plus another scheme for improving the efficiency of the suckler industry in general. That would be two different payments. We said that the first one would work out at about £12 million a year until the end of the transition. That would be for the SDA payment. We have not put a figure on the other, but we reckon that a beef efficiency scheme would require the same level of budget a year.

Mr Irwin: Are you talking about something to help the suckler cow and the beef industry?

Mr Sinclair: It is about improving the efficiency of the beef sector. The suckler cow sector —

Mr Irwin: OK.

Mr McMullan: When talking about transferring money to the hill, you said that it would not boost production. Is that correct?

Mr Sinclair: No; I asked the question, "Do you believe that it will?". We do not believe that it will increase the production.

Mr McMullan: You do not think that it will increase production.

Mr Sinclair: We do not believe that it will meet the increased production that has been forecast or targeted by the strategy report.

Mr McMullan: Can the lowland produce enough to keep it going, if the hill does not produce?

Mr Sinclair: The two-region model does not increase it. It is a 50% increase into the sheep on the hills and maintaining the support to the cattle on the hills.

Mr McMullan: What about the suckler cow on the hill?

Mr Sinclair: We are trying to maintain them to the same level. A single-region model will give them less money than they are getting today. Our proposal is to maintain the same money and to put in additional support for efficiency across all suckler cows.

Mr McMullan: We talked about the transfer from pillar 1 to pillar 2, and it was said that it was unique. It is possibly unique because they have bigger budgets. That is something that we did not hit on, and we probably do not have time to talk about it today. We looked at the rest of the countries in the European market, and we mentioned that Portugal and Britain were the only two that transferred. We know that Britain actually cut the money down. The South of Ireland had a bigger budget as well. You could argue that, if we were getting that budget, we may not need to transfer. So, that is not a fair argument.

In the transfer from pillar 1 to pillar 2, do you agree that 80% of the 7% that went across was coming back to the farmer anyway? So, there is only 20% of that staying in the rural areas. The rural people are saying, "Unless we get the same budget as last time, we can't operate". Are we saying that the rural areas mismanaged that money?

Mr Sinclair: No, we are saying that we believe that other Departments shirked their responsibility in rural areas by letting the projects that should have been paid by other Departments be paid out of rural development. Going back to the rural White Paper, rural areas should have been treated the same by all Departments, and projects in rural areas should have been funded by other Departments as they are in urban areas.

Mr McMullan: Do you agree that, with the transfer of that money from pillar 1 to pillar 2, 80% of that was going back into the farming community anyway?

Mr Sinclair: With any money transferred, we believe that 100% of it needs to come back into agriculture. Any transfer has to go back in some form or other to the agricultural industry.

Mr McMullan: So that 20% of that 7% was too much for the rural community.

Mr Sinclair: No, we do not see that. It is a different debate. When you put more money into pillar 2 for rural development for other rural areas, that lets other Departments transfer responsibilities that should be theirs to agriculture.

Mr Aston: There is a rural element to the rural development programme, obviously, but we want to keep that to an absolute minimum within a reduced budget and try to target the budget at the things that really make the difference to get the biggest bang for your buck. That goes back to the issue of trying, within a limited budget, to look at the three areas that I outlined earlier to help deliver growth for the Northern Ireland agrifood industry and the Northern Ireland economy. As the president said, there are certainly rural services. We live in rural areas and want rural services, but we feel that it is all too easy for other Departments, and indeed councils, to say, "There is the rural development fund; let's use it instead". That is wrong.

Mr McAleer: Harry, you said earlier that the transfer of funds removes money from the farmer. To go back to what Oliver said, actually, 100% of modulated funds go back to the farmer through schemes. We are talking about a single farm payment budget of around £250 million a year. Would top-slicing a bit of that to give it back to farmers for specific schemes to modernise and make their farms more efficient not be better use of money? Would that not help to modernise and make farms more efficient through dedicated schemes?

Mr Sinclair: No. First of all, farmers are always of the view that taking money off them and then having them apply through schemes to get it back adds complication and cost. Why do you have to create a tax on farmers for it to actually come back to them again? Why is pillar 2 money not available to farmers without taking it from pillar 1 to give it back to them?

Mr McAleer: Obviously, one of the reasons why pillar 2 is in the state it is in is that the British Government negotiated a cut to it. That is the position we are in, but 100% does go back to the farming community through dedicated schemes like the farm modernisation programme. Are you not concerned about the wider rural area as well? Farmers do live in rural communities, and surely you —

I have met you at Rural Community Network (RCN) and Rural Development Council (RDC) events — are concerned about the wider rural community as well.

Mr Sinclair: Yes, and that is why we so strongly support the rural White Paper and want other Departments to take their full responsibilities in rural areas and deliver the services there in the same way they do in urban areas.

The Chairperson: OK. There are no further questions from members, so it remains for me to thank you very much. I told you that we are constrained for time, and we are, but is there anything that you want to mention in closing? I am not going to open it up again to another range of questions, but this is your chance. If there is something that the Ulster Farmers' Union wants to get across to the Committee, I will allow you five minutes. I think that we have to be out for 1.30 pm.

Mr Sinclair: Basically, one of the important issues is timescales. Farmers are running businesses. We have the thing about the active farmer going on at the moment. We need clarity on single farm payments so that businesses know where they are going. Decisions need to be made rather than waiting back. We see other regions making their decisions and informing people of what is happening. We were in Orchard House just last week. The longer it goes without the decision being made, the less chance there is of people getting payments in 2015. It is another big issue.

Planning and setting up programmes to make payments takes time. We mentioned the August deadline. We were told that, if no decision is made by the beginning of August, there is very little chance that any single farm payment will be made in 2015, because you would run into problems with making programmes to make payments. You can imagine what that is going to do to the cash flow in the industry going forward. Decisions have to be made to get action, but they have to be the right decisions, taking a holistic view of things rather than on a single issue.

Mr Aston: I just want to add very briefly that, leaving aside the timing of decisions, ultimately the decision itself is important to what we deliver. There is a tremendous opportunity out there. The world needs food. Populations are growing. We see the South of Ireland moving ahead in leaps and bounds. Scotland is doing the same. We have an opportunity through the Agri-Food Strategy Board report to deliver on that. A big element of that is CAP support. You cannot ignore it and hope that the other delivers on it. I firmly believe that, if single farm payment support does not go on the basis of supporting productive agriculture, we will actually go backwards, rather than forwards, in growing the industry and the impact that that will have on the economy.

The Chairperson: Clarke, are you happy enough?

Mr Black: I agree entirely with that.

The Chairperson: To give this gravity, it has echoes of welfare reform and the impasse there. The decision will have to be made.

Thank you very much for your attendance today. It has been very useful and helpful to the Committee. I hope that it has also been useful to you. Thank you very much for your time.