



Northern Ireland  
Assembly

Committee for Agriculture and Rural  
Development

# OFFICIAL REPORT (Hansard)

CAP Reform, Going for Growth and Rural  
Development Programme 2014-2020:  
Mrs Michelle O'Neill MLA, Minister of Agriculture and  
Rural Development

1 July 2014

# NORTHERN IRELAND ASSEMBLY

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

Mr Paul Frew (Chairperson)  
Mr Joe Byrne (Deputy Chairperson)  
Mr Thomas Buchanan  
Mrs Judith Cochrane  
Mrs Jo-Anne Dobson  
Mr William Irwin  
Mr Declan McAleer  
Miss Michelle McIlveen  
Mr Ian Milne  
Mr Robin Swann

**Witnesses:**

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

**The Chairperson:** I welcome Michelle O'Neill MLA, the Minister of Agriculture and Rural Development; Noel Lavery, DARD permanent secretary; Colette McMaster, grade 5, assistant secretary; and Norman Fulton, grade 5, chief agricultural economist. I understand that Tom Kennedy, grade 5, assistant secretary in charge of the relocation of the HQ, is in the Public Gallery and can come forward if requested.

Minister, I know that you are pushed for time and have only half an hour here. You and your officials are very welcome to the Committee, as always. Members have had an opportunity to read your letter and the accompanying press release. We have just heard from the officials on the rural development programme (RDP) aspects. I invite you to say a few words to the Committee on the issues.

**Mrs O'Neill (The Minister of Agriculture and Rural Development):** Thank you, Chairperson. We are delighted that all major decisions on CAP reform have now been taken. That gives certainty for farmers to plan ahead. Overall, in my opinion, the package is fair and balanced, and that has been evidenced by the general feedback and positive reaction we have had from stakeholders over the last number of days. Obviously, as in any situation, not everybody got what they wanted, but, given the divergence of views, it was never going to be the case that everybody would be content. However, as I said, I think that what we have is a fair and balanced outcome.

A seven-year transition period towards a flat-rate payment is fair and balanced and will give businesses the time that they have asked for to be able to adjust and adapt. To be clear, decoupled support is there to support incomes and not production. The key issue was the length of time that businesses had to adjust to the redistribution of support. As I said, I know that some would want to see a much longer transition and others would want to see it come about a lot more quickly. What we have is a longer transition period than is being provided in many other regions. I think that where we are now is a much better place. When it comes to the number of regions, a single region is most suited to our circumstances, as objective analysis clearly demonstrated for us. The overall amount of redistribution of direct payments is very similar between the single-region and two-region model. Therefore, having a two-region model rather than a single-region model would make little difference to the actual overall aggregate amount of direct payments going to those that have the highest rates per hectare at present. As I said, decoupled support is not about supporting production; it is about supporting incomes. I could not justify a situation where the region that has the lowest level of farm income would receive a lower level of income support payment.

We have linked the greening payment to the basic payment. I believe that that is the best way to achieve a smooth and gradual transition towards a flat-rate payment. I am not convinced that coupled support is the way to go forward. If anything, it is a step back to what we had before 2005. However, I have said that I am prepared to keep the issue under review. I would point out, though, that economic analysis suggests that coupled support would have minimal impact on production levels. We do not have a closed mind on that; we are happy to keep it under review.

As for the areas of natural constraint (ANC) scheme, I am satisfied that the funding for the ANC scheme from pillar 2 for a further two years is the best way forward at this moment. A pillar 1 scheme would have required the new ANC designation to be in place by 2015, which was looking very difficult to achieve, given that there are many technical queries outstanding about the redesignation process. My Department will work on the redesignation, but, at this stage, we are not planning to introduce it before 2017.

The rules governing the ANC scheme that we will have from next year will not allow us to continue making a payment to disadvantaged area (DA) farmers. However, you will be aware from the announcement last week that we hope to make a one-year transitional payment under the state aid de minimis rules to farmers who now face exclusion from the ANC measure.

I now turn to pillar 2 and rural development. I am conscious that you just had a presentation from officials and quite a lengthy session on that, but I am obviously delighted to have received Executive agreement on a budget of up to £623 million for the next RDP. That is an increase in funding of almost 16%, compared with that for the current programme, and it obviously gives us the largest RDP that we have ever had in the North. It will allow us to deliver a broad range of measures to improve the competitiveness of our farm and agrifood businesses, protect and enhance our environment and improve the quality of life in our rural communities. I intend to match the EU funds pound for pound with £186.5 million of my Department's resources. The provision of that match funding will be a high priority to ensure that we maximise the EU funds available.

The agreement secured with the Executive will provide additional funding of up to £250 million to fund the proposed farm business improvement scheme, as requested by the Agri-Food Strategy Board. That additional funding will help me to deliver on the aims and objectives in the board's 'Going for Growth'. The farm business improvement scheme will be an important part of the next RDP and will include a portfolio of measures to support sustainable growth in the sector.

Overall, I intend to allocate up to £287 million of the budget for the next programme to improve the competitiveness of our farm and agrifood businesses. That will represent up to 46% of the value of the new programme, which is an increase from the 11% that had been allocated to competitiveness in the current rural development programme. So, that is quite significant, and I think that it reflects my commitment to deliver on the Agri-Food Strategy Board's recommendations as set out in the sustainable 'Going for Growth' paper.

We all recognise that the beef sector has been under increasing pressure, and I want to make sure that the next RDP can also help to address some of the beef sector issues. I am pleased that the proposed farm business improvement scheme will include a number of measures that could potentially benefit beef farmers, including advice, training, capital support and initiatives to promote the sharing of knowledge, to encourage innovation and to improve the quality of the land. I am keen that beef farmers take up the opportunities that will be available in the next rural development programme to invest in their skills and their business.

At the moment, I am particularly concerned about the impact of the significant penalties applied by meat plants for out-of-spec cattle on farmers and the wider beef industry. I hope that all elements of the supply chain can work together to get a mutually agreeable resolution to the current difficulties. My Department and I will support that process where possible. As you will be aware, I have met and listened to farmers, marts, processors, the food service sector and representative bodies, and I am grateful to the Committee for facilitating a further informal meeting with the marts after this discussion today.

I have allocated £256 million of the budget for the protection of the environment through support for an environmental farming scheme, a land management programme, an ANC scheme and forestry management for our natural resources to improve biodiversity and to build on the significant investment and work that has been carried out in the current programme as one of my priorities. Finally, I have allocated £80 million of the budget for rural development. That demonstrates my continuing commitment to support the economic and social development of our rural communities.

I wish to take this opportunity to thank all our stakeholders for their time and input to the development of the programme so far and for their continuing support over the next number of months as we move to finalise the programme and present it for formal submission to the EU Commission.

As I said, I am aware that the Committee has just received a detailed presentation, so I do not intend to go over all the points again, but I wanted to outline some of the higher details and to flag up that I intend to make further announcements over the next few weeks on the proposed content of the next RDP and the details of how funds will be allocated to each individual scheme in the programme. I appreciate that that will be during recess, but I am happy to communicate that to the Committee. I am sure that we can find a mechanism to be able to do that when we are in recess.

Finally, I turn to Going for Growth. It obviously sets out a vision and a road map for us that highlight the tremendous opportunities that there are to grow the agrifood sector. So, again, I am delighted that the Executive have agreed their response to Going for Growth as part of the overall package of significant support measures on CAP and the rural development programme that we announced last week. As the Committee is aware, a lot of groundwork has been going on behind the scenes, and we have already made significant progress on a number of fronts, including access to new markets, supporting innovation and skills, animal and plant health and improving sustainability through the manure efficiency technology scheme (METS). With Going for Growth, the aim is to improve the sustainability and competitiveness of farms and the wider agrifood industry, so it is appropriate that the new RDP is going to be the key tool for delivery on our agreed actions in the report. In particular, the proposed farm business improvement scheme is one of the major recommendations from my Department. Now that we have agreement on the budget, I will bid for up to the £250 million of additional funds for that scheme.

Other proposed schemes in the RDP will address Going for Growth recommendations on knowledge transfer, land improvement, protecting the environment and facilitating cooperation within supply chains. We are also looking at support for processors. My officials are working up the detail of these and associated business cases. We will continue to work with the Agri-Food Strategy Board, its subgroups and other Departments in progressing other agreed actions.

That is a quick run-through on the three topics. I appreciate that we are short on time.

**The Chairperson:** OK, Minister. Thank you very much for that presentation. I ask members to be succinct, with one question and one supplementary if needed. If we have time, we will go around again, but I do not think that we will have the time, so it is important that we get everybody who wants to ask a question in.

Minister, you mentioned the DA farmers and the fact that they have now fallen out of the less favoured area (LFA) schemes. Many will be beef sector farmers, who are under considerable pressure at this time. You mentioned the one-year transitional payment, claimed in 2015 and paid in 2016. It is early days, but if that scheme goes well, are you minded to roll that on? What other measures can we then put in place to support the DA farmer?

**Mrs O'Neill:** Obviously, you know that the move to change the DA and designation is a European one and not directly linked to CAP. So, the only opportunity we have is to lessen the impact and that is why we proposed the transitional payment. We can look at that in a number of ways as to how you do it. Do you phase it out over a year, or can it be done with two separate payments of two thirds and a

third over two years? We are looking at the best option to cushion what will have a negative impact, particularly on those already struggling in the beef sector.

**Mr Byrne:** Welcome, Minister, and congratulations to you and the senior team in reaching a package of measures that are broadly welcome at this stage. We met officials earlier and talked generally about the technical issues relating to the implementation of the different schemes. I want to ask you a couple of questions on broad policy terms. In developing Northern Ireland agriculture over the next seven years, what are the specific tools of support to develop a more productive and profitable agrifood industry that meets EU environmental and rural development objectives? Is sustainable intensification the order of the day, given that we are only a regional, six-counties corner of an island of 1.35 million hectares?

**Mrs O'Neill:** Thanks for your words of welcome. The support tools are clearly set down. I have always said that the rural development programme is the vehicle to allow us to tailor supports. Now that we have the Going for Growth action road map running alongside that to develop schemes under the rural development programme — and I listened to some of the earlier session with officials around setting out the types of schemes that we will have in the new rural development programme — rural development clearly is the main tool.

Under the farm business improvement scheme, particularly around some of the early work that we are planning, we will be taking a look at farm businesses and their efficiency, helping people to examine their own circumstances to see what they can do and to look at the potential for funding under the capital grants schemes that we are bringing forward.

Land management is a key issue that people in the industry are calling for. Under the farm business improvement scheme, we will be able to bring forward what, in my opinion, are the most appropriate measures and supports that we can to help to create a sustainable industry for the future. In terms of funding, I have always said that the new programme needed to provide a balanced approach between rural communities, farm businesses and the environment. Now that we have this budget, that is allowing us to be able to do that in the most effective way.

**Mr Byrne:** Chairman, I appreciate the Minister's comments. With regard to sustainable intensification, will we be able to grow an industry at 50% in production terms and meet EU environmental conditions? Lastly, does the rural White Paper form any part of the shape or structure of this campaign over the next seven years?

**Mrs O'Neill:** Sorry, I missed the last part.

**Mr Byrne:** How does the rural White Paper fit in to the overall development of the agrifood sector over the next seven years?

**Mrs O'Neill:** Obviously, we all have to be careful and mindful of the EU environmental issues that we have to deal with. In planning any of these programmes, we take a look at that in the round. We need to be, and we obviously are, very careful in moving forward what we have. We want to create an industry that is sustainable and as efficient as possible. The only way that we are going to grow production and meet the demands that are there for our produce is if we make farms more efficient. All the projects that we are taking forward are based on creating a more sustainable industry in the future, around the farm business improvement scheme and around looking at efficiency and how to work together cooperatively to be able to achieve efficiencies. Have you anything to add to that, Norman?

**Mr Norman Fulton (Department of Agriculture and Rural Development):** Sustainable intensification is really about marrying the whole concept of efficiency with environmental stewardship — two very important issues that need to move forward hand in hand. So, for example, if you have an efficient industry, you can reduce your carbon footprint per unit of output. Those are the types of issues that must be taken forward together. Ultimately, sustainability must be built into any industry going forward. That is very important. The whole issue of environmental stewardship has to be part and parcel of the industry's development plans.

**Mrs O'Neill:** As regards how the rural White Paper fits in, obviously, that is ongoing. A number of months ago, I said that I want to take a look at it again. I do not want it to be a stagnant document that sits on a shelf. Departments need to refresh what they contribute to it continually. Now, we very

clearly have a road map for the agrifood sector. However, rural matters are not just my Department's business; they are every Department's business. I will continue to challenge other Departments on their contribution. I hope to be able to bring forward some positive news on that in early September.

**Mrs Dobson:** Minister, as we know, the beef sector is going through an extremely tough time at the minute. I declare an interest as my husband is a beef and cereal farmer. You have said in the media that you will sit down with all relevant stakeholder groups over the coming weeks to work through a programme of action. Will you include all stakeholders? What format will those discussions take? Furthermore, looking to the future, you say that you will have a clear focus on the industry. Will you give a commitment to make the plight of the beef farmer your number one priority as Minister?

**Mrs O'Neill:** I have already said that I will prioritise the beef sector. I made that announcement back at the Balmoral show. I think that one of the biggest challenges for the beef sector, even if you look back at recent times when prices were high, is that profitability is still an issue. So, there is an underlying profitability issue for the beef sector, which we need to take on and address. Not to rehearse the issue, but a lot of the programmes that we have outlined under Going for Growth and the rural development programme will help to look at profitability and examine how we and farmers can become more efficient. However, there are massive challenges for the industry. Over the last wee while, and the last number of months in particular, with the change to spec, the bonus and how the whole pricing structure has changed, it is all causing the beef sector more angst. It is my intention that, through all the programmes that we will take forward, we will prioritise beef because that is a sector that obviously needs support. We need to tackle the underlying problem, which is profitability.

**Mrs Dobson:** Is it your number one priority, Minister?

**Mrs O'Neill:** That is what I said.

**Mrs Dobson:** I note that you mentioned earlier that the farm business improvement scheme could potentially help the beef sector. I think that we need to go further than "potentially".

You have talked about the opening of new markets for the local industry. Will you then give a commitment to relax live exports restrictions, which could undoubtedly help local beef farmers?

**Mrs O'Neill:** There will be opportunities for us with the new EU animal health law. That is what we are working on at this time. We hope to have that in place next year. There should not be any barriers. Our farmers should not be disadvantaged in any shape or fashion because of different conditions, particularly when you compare the Six Counties with the Twenty-six Counties. I gave a commitment to the auctioneers, when I met them with you some time ago, to examine that issue to make sure that if there were any barriers or things that were within my control, I could look at them. I stand over that. I will be talking to them about that later today.

We want to remove any barriers and to be able to get into these markets. The target growth is the export growth: that is at the heart of the Going for Growth strategy and the road map that has been set out. So, with any barriers that exist to trade, we need to look at how we can improve things. We want to be part of the wider markets, where there is a growing population and increasing demand for food. We want to be there, and I will continue to target markets, and the Executive, through DETI and OFMDFM, are actively trying to get into new markets.

**Mrs Dobson:** Will the groups on the programme for action include all stakeholders? What will the format be? Will it be on site, here or somewhere else?

**Mrs O'Neill:** We engage with people in the beef sector in a range of ways, including on-farm meetings. We will do all of that over the next wee while. In terms of growing the sector, you cannot leave anybody out. You need to talk to all people who are involved in the business.

**Mr Irwin:** I welcome the Minister. I am also happy that a package has been put together and that things are looking more positive.

In relation to the beef sector, and I declare an interest as a farmer, I have some concerns on the suckler cow end of things. I am aware, and I have said this before, of some coupled payment in Scotland and the Republic of Ireland. Will the Minister give an assurance that if, after her negotiations with all stakeholders, she feels that a coupled payment is necessary, she will go down that route? If

you are going to go for growth and lose a large portion of our suckler herd, one thing is going against the other. It is vital that we retain the suckler herd in Northern Ireland.

**Mrs O'Neill:** I totally agree, and that is why I have said that we will keep an open mind on that. It was very clear from the consultation that there was not an appetite for it. The consultation was very wide ranging and unprecedented numbers of people responded, but there was not a demand for a scheme. That being said, I have said that I will keep an open mind.

We need to think it out very carefully. If you bring forward a scheme of supports through a suckler scheme, will there be an impact on price? We need to look at it in the round and take a decision based on the wider economics of any intervention. Again, as I said, I do not have a closed mind on this, and I am looking towards all the challenges that are faced by the beef sector. I am happy to bring everything to the table for discussion.

**Mr Irwin:** We must realise that seven or eight months ago, beef prices were 50p a kilo higher than they are today. So, that consultation might get a different response if it happened today from it did a number of months ago when things were different on the ground.

On the £250 million earmarked for Going for Growth, what time frame does the Minister have for rolling that out?

**Mrs O'Neill:** It will be run over the course of the programme: from next year to 2019-2020.

**Mr Irwin:** When will you start to roll the programme out?

**Mrs Colette McMaster (Department of Agriculture and Rural Development):** We aim to put the programme formally to the Commission for approval in October. We hope that the approval will be through by April 2015 for the full programme. We are also looking at doing some pilot work in 2014-15, which is subject to funding being available. There was a bid in June monitoring for that.

**Mr Irwin:** Does the Minister agree that funding must be targeted to productive agriculture?

**Mrs O'Neill:** I have always said that we need to look at the whole industry. That is key in moving forward. Over the space of the CAP negotiations, people played some sectors off the others. That is not the appropriate way to look at these things.

Moving forward is about growing our production and maintaining the tradition of agriculture that we have across the island. In my view, I have brought forward a fair and balanced approach that meets the needs of all farmers not just the needs of some.

**Mr McAleer:** Minister, earlier we were upstairs and met some rural stakeholders. They were talking about the importance of the bottom-up approach. I am talking specifically about priority 6 of the new programme. What is your view on the LEADER approach in the new programme?

**Mrs O'Neill:** I have always been very supportive of the LEADER programme, and I said that today at the celebration event. You could very clearly see from that that all of those projects were fantastic projects and very much came from local people identifying problems and identifying needs of the community and then bringing forward solutions. So, I want to build on that in the new programme, and I am very much wedded to the LEADER approach. I think that the skills base that we have built up over the space of this programme is fantastic, but I also encourage other people to get involved in the new structures. The new structures will be coterminous with the new council structures, and I absolutely encourage women and young people to get involved. I think that, sometimes, people are put off from applying to get involved in these groups because they think that it is very complicated. If you want to be involved in taking decisions that affect your local community, it is European money, and I encourage other people to get involved. On your question, I am absolutely committed to the LEADER approach in moving forward.

**Mr McAleer:** I am aware of the timescale here from the previous briefing from Colette and the other officials. It is that we are hoping that it will be with the EU Commission in October. When do you envisage that those structures will be put in place?

**Mrs O'Neill:** One of the criticisms of the current programme is that it took a bit of time to get things going on the ground. We do not want to lose any time; we want to get on the ground and get spend out there very quickly. We plan to advertise and have those in place by when, Colette?

**Mrs McMaster:** You have told us to make sure that the new local action groups (LAGs) are in place before Christmas and that the strategy is approved before April, so that it will be ready to run when the approval is through for the RDP.

**Mrs O'Neill:** I think that there was a lot of unnecessary criticism of the current programme in that people felt that spend did not happen quickly. We do not need to have that situation again. We can hit the ground running. I have said today that we will start the animation work, which never happened in the current programme. Basically, that involves going out and talking to communities. That will start from now, and I think that that will really help to get things moving, and we will not lose out on any time in getting spend on the ground.

**Mr Swann:** Minister, thanks for your attendance. Taking it outside from your statement, in your letter, you last point is on the relocation of DARD headquarters. You have made the announcement that work is to start from the end of 2015. Have you received DFP approval for your business case?

**Mr Noel Lavery (Department of Agriculture and Rural Development):** On the technical aspect of that, no, but the Executive have approved the ministerial direction. The Minister will direct me, and that will go to the Audit Office. We will be in discussion with DFP on aspects of the business case, but, technically, the business case as summarised by the Minister's paper to the Executive has already been approved by the Executive. We will be in discussions with DFP.

**Mr Swann:** To clarify, Noel, the decision to relocate is approved by the Executive.

**Mr Lavery:** Yes, and included the costs and the structure of the relocation in the Minister's plans and how that would be structured.

**Mr Swann:** Without the business case being approved, Minister, you will be moving, under ministerial direction, to direct the finance officer to proceed without proper business case approval, which is required under 'Managing Public Money Northern Ireland'.

**Mrs O'Neill:** All proper approvals have been sought. It has gone to the Executive, and the Executive have agreed to it going forward, including to the financial costs that are associated with it. This is a good-news story for rural communities, and it is a good-news story for the north-west. This is decentralising public sector jobs, which the Executive have signed up to.

**Mr Swann:** Minister, it is also about clarity in the business case. If you recall, any time that you were in front of this Committee, a number of members around this table queried why other sites had not been looked at and why business cases had not been sought for them as well. I am just trying to clarify that you are now moving under ministerial direction.

**Mr Lavery:** The Executive have approved that the Minister directs me to proceed to incur expenditure on the relocation of DARD's headquarters to Ballykelly. That is full Executive approval.

**Mr Swann:** That has received full cost-benefit analysis by DFP.

**Mr Lavery:** No, it has received full cost-benefit analysis by the Department, which has now had the Executive's approval. We will share the business case with DFP, and we welcome any comments that DFP has on it.

**Mr Swann:** The normal process is that DFP approves a business case.

**Mr Lavery:** Yes, but the Executive have now approved the business case, including the Finance Minister. Well, the First Minister and the deputy First Minister approved it under urgent procedure.

**Mr Swann:** So, OFMDFM has approved the business case, not DFP.

**Mrs O'Neill:** There are processes in place, and the Executive, through a very legitimate process — it is an on-paper process — have agreed it.

**Mr Lavery:** There is full approval for me to incur the expenditure for DARD's HQ to relocate to Ballykelly.

**Mr Swann:** And Ministers have approved that.

**Mr Lavery:** Yes. The First Minister and the deputy First Minister approved it under urgent procedure, and the Minister will direct me to do that. All approvals are in place.

**Mr Swann:** OFMDFM has approved the business case by special procedure.

**Mr Lavery:** Yes.

**Mr Swann:** OK.

**The Chairperson:** OK. Ian Milne. Last one.

**Mr Milne:** I thank the Minister for coming today. Minister, I congratulate you and your team for negotiating and getting to the point that you are at. Like you, I think that it is a very positive and well-balanced approach. Have you had any feedback from the farming community in general? While we sometimes have individual criticisms, in general, would you say that the whole package and the rural development programme has gone down well in the farming community?

**Mrs O'Neill:** Yes. I believe that it has generally been perceived as a positive development that political agreement has been reached and clarity has been provided. On that basis, it has gone down reasonably well. Of course, in any situation there will be people who would have wanted more or fewer years, particularly for the transition. When you have a divergence of views, it is always hard for everybody to come out of the process being content. However, I think that people genuinely recognise that it is reasonable and balanced in moving forward.

One of the things that people have asked for and that we are working on now is more detail, particularly, for example, on young farmers who want to come into the scheme next year. We will work up a communications strategy over the next number of months that will allow us to communicate more detail about the new situation. As I said, that will particularly be focused on young farmers over the next wee while. I know that we will be in recess, but we will make sure that that is circulated to the Committee and that it is kept informed of all those things. We are happy to share the communications strategy with the Committee once we sign off on it.

**The Chairperson:** Minister, I know that we are stuck for time to go into this in our formal meeting, but I thank you and your officials very much for attending. It was arranged with us at short notice, and I appreciate that very much. You have given the members of the Committee a chance to ask questions on the CAP reform decisions, RDP, Going for Growth and, of course, have illustrated the issue around the beef sector.

Members, we are due to have oral briefings in the autumn on CAP, pillars 1 and 2, Going for Growth and the HQ relocation. If any information comes forward on developments over the summer, we will be able to get that to each of you. There is no issue with that whatsoever.