

Written Ministerial Statement

The content of this written ministerial statement is as received at the time from the Minister.

It has not been subject to the official reporting (Hansard) process.

Department of Agriculture, Environment and Rural Affairs

£25 MILLION COVID-19 SUPPORT PACKAGE FOR BEEF, DAIRY, LAMB, POTATO AND ORNAMENTAL HORTICULTURE PRODUCERS

Published on Tuesday 30 June 2020

Mr Poots (The Minister of Agriculture, Environment and Rural Affairs):

- 1 I wish to make a written statement to the Assembly to advise Members of my decision to target the COVID-19 £25m financial support to those sectors most impacted by the crisis.
- 2 On 19 May the NI Executive agreed to a £25m financial support package following a case I made seeking to help alleviate the emerging threat to Northern Ireland farm incomes. This was due to falling farm gate prices triggered by COVID-19 and the losses that were occurring within the ornamental horticulture sector.
- 3 I have continued to meet with a number of sectors and industry representatives to examine the nature and extent of the financial losses that are being incurred. I have decided to target £21.4m of the £25m support package towards those businesses in the beef, dairy, sheep, potato and ornamental horticulture sectors that have been hardest hit financially and those in most immediate need as a direct result of the Covid-19 pandemic.
- 4 In the coming weeks I intend to bring forward legislation to the Assembly to enable the delivery of schemes that will provide financial support to the beef, dairy, sheep, potato and ornamental horticulture sectors.
- 5 Allocation of the funding to these sectors will be based on evidence and distributed in an equitable way to those sectors that can clearly demonstrate tangible losses.
- 6 The Covid-19 support package is a contribution towards the losses incurred by businesses as a result of short term market disturbance. Since other HMG support measures are available to agricultural and horticultural businesses, rates of compensation for losses incurred have been set at 100% or 80%. Businesses in some sectors have been able to gain more support from these schemes than those in other sectors. The 80% rate is compatible with that set for the Self Employed Income Support Scheme and the amount of wages paid to furloughed workers through the Coronavirus Job retention Scheme.
- 7 The schemes that are being developed to support the sectors will all follow similar design principles to ensure good governance, avoid unnecessary bureaucracy and ensure that the schemes comply with legal requirements. These principles include:
 - Support for evidence-based losses caused by market disturbance;
 - Support targeted to those impacted most financially;
 - Compliance with State Aid rules;
 - Simple approach and flexible to administer / minimum bureaucracy;
 - No negative impact on administration of Basic Payment funding;
 - Compliance with good governance and accountability;
 - Measures to avoid over compensation of losses / consideration of benefits from other schemes;

- Partnership approach with stakeholders;
- Compliance with Section 75 obligations.

SUPPORT FOR BEEF SECTOR (£7m)

- 8 The evidence of the impact within the beef sector demonstrates that the worst losses were incurred by beef finishers who bought stores at higher prices and faced low finished cattle prices, due to the collapse of the food service market and weakness in international markets for 5th Quarter products.
- 9 Proposed support for beef producers is comprised of two flat rate payments per head based on the number of animals presented for slaughter and when those animals were marketed. Payment 1 of £40 per head would target those producers impacted most when beef prices fell significantly following “lockdown”, and Payment 2 of £33 per head for cattle slaughtered in the period mid-February to end of June. Both payments would be made to the farmer who had those animals in their herd for at least 30 days prior to slaughter.
- 10 I am aware that many beef farmers have not been able to receive any benefit from the Self Employment Relief Scheme due to low prices and levels of profit in recent years. On that basis I am compensating them for 100% of their losses.
- 11 Estimated amount of support required for the beef sector is £7m.

SUPPORT FOR THE DAIRY SECTOR (£11m)

- 12 Losses within the dairy sector have been assessed and evidence demonstrates that a market slow-down started in March when “lockdown” caused the hospitality and food service sector to close and milk price for dairy farmers was reduced.
- 13 Proposed support is based on making payments of an amount per litre based on a reference period before “lockdown” (February 2020) in order to determine the price per litre on which payment is based.
- 14 I am aware that many milk producers have received benefit from the Self Employment Relief Scheme to compensate for loss in profits, and have taken out the Bounce Back Loan Scheme to alleviate capital costs. This payment should therefore be a contribution towards losses incurred, in particular the working capital or production costs as opposed to the profit element. On that basis I am compensating them for 80% of their losses.
- 15 Estimated amount of support required for the dairy sector is £11m.

SUPPORT FOR THE SHEEP SECTOR (£232K)

- 16 Losses within the sheep sector have been assessed and evidence demonstrates that the price for lambs fell in week ending 28 March and remained relatively low for four weeks before recovering to pre Covid-19 levels in the week ending 25 April.
- 17 Comparing total sales in the four week period (w/e 28 March to w/e 25 April) to the previous four weeks before the prices fell, there was a total loss to the sector of £232K that equates to approx. £6.88 per lamb.
- 18 I am aware that many sheep farmers have not been able to receive any benefit from the Self Employment Relief Scheme due to low levels of profit in recent years. On that basis I am compensating them for 100% of their losses.
- 19 Estimated amount of support required for the sheep sector is £232K.

SUPPORT FOR THE POTATO SECTOR (£1.2 – 1.6m)

- 20 Losses within the potato sector have been assessed and evidence demonstrates that potato

growers who specialise in supplying the food service and hospitality industry with processing potatoes have been significantly affected by the closure of these businesses during “lockdown”. They were left with falling prices and very few market outlets for this valuable perishable product.

- 21 The evidence gathered to date demonstrates a loss to the sector that would require an intervention of £1.5 – £2m.
- 22 I am aware that some growers will be eligible for the Self Employment Relief Scheme (up to £7.5k per person) to compensate for loss in profits, and some have taken out the Bounce Back Loan Scheme to reduce costs of capital or fund this year’s growing costs. On that basis I am compensating them for 80% of their losses.
- 23 Estimated amount of support required for the potato sector is £1.2 - £1.6m.

SUPPORT FOR THE ORNAMENTAL HORTICULTURE SECTOR (£1.2 – 1.6m)

- 24 Growers in the ornamental horticulture sector have suffered losses due to closure of markets for bedding, cut flowers and other plants prior to the reopening of garden centres. Horticultural businesses do not pay rates so have been unable to access the £10k and £25k Covid-19 business grants from the Department of Economy. DAERA officials have made an assessment the potential loss through engagement with growers and from other sources. This information has indicated that losses in the region of £2 - £2.5m have been incurred.
- 25 I am aware that some growers have received benefit from the Self Employment Relief Scheme (up to £7.5k per person) to compensate for loss in profits, have used the furlough scheme for their staff, and have taken out the Bounce Back Loan Scheme to reduce costs of capital. The support payment should therefore be a contribution towards losses incurred, in particular the working capital or production costs as opposed to the profit element. On that basis I am compensating them for 80% of their losses.
- 26 Estimated amount of support required for the ornamental horticulture sector is £1.2 - £1.6m.

CONCLUSION

- 27 I recognise that we have all faced many challenges this year as a result of the COVID-19 pandemic, that we all have a responsibility to support businesses, communities and individuals in Northern Ireland and that there is a finite budgetary envelope to do so. As Minister responsible for our agri-food sector I trust that you will recognise the importance of supporting these sectors which have been particularly affected by market disturbances as a result of the COVID-19 pandemic.
- 28 The financial interventions that I am proposing to make amount to approximately £21.4m of the £25m support package that I have secured from the Northern Ireland Executive. I believe that this support to the beef, dairy, sheep, potato and ornamental sectors will go a long way in helping these businesses survive the current crisis. However, I want to be prudent at this stage with the funding as we cannot rule out the possibility of further market disturbance as a result of this pandemic and the need for additional farmer support.
- 29 For that reason, I want to retain a budget of just over £7m based on the residual funding of £3.6m (from the £25m) and the £3.6m that was reprioritised internally. This would allow me to address additional issues and challenges Covid-19 may present in the weeks ahead. For example, if there is evidence of impacts on the lamb market as higher numbers of lambs are presented for sale in the coming weeks or if there are consequences of a food processing business closing due to an outbreak amongst staff. I will therefore continue to monitor the situation and assess the impact on those sectors that have not been supported to date.
- 30 I would like to take this opportunity to thank my Executive colleagues for their support thus far in my endeavours to support our vitally important agri-food industry and support our local economy during these extremely challenging times.