NI Farm Groups

The Northern Ireland Farm Welfare Bill

Summary

The purpose of the Welfare Bill is to alleviate the stress and pressure on what we regard as the core element and foundation of the agricultural industry namely farming families and primary producers without whom there would be no basis for supply for consumers.

In order to have a sustainable industry the bill contains proposals to redress the imbalance between the producers and the retailers/corporates.

The advent of more intensive production and vertical integration to suit economies of scale has increased pressure on farming families and contributes to the detriment of health in this population mainly through lack of income.

Raw materials produced by the farmer is their responsibility for the longest period of time e.g. a beef animal has to be reared and fed for up to three years; a processor then holds this animals for approximately three weeks and then the retailer sells the finished product in a few days and dictates the final price.

The profit margins do no reflect this with primary producers facing the biggest risk and financial burden with no guaranteed return.

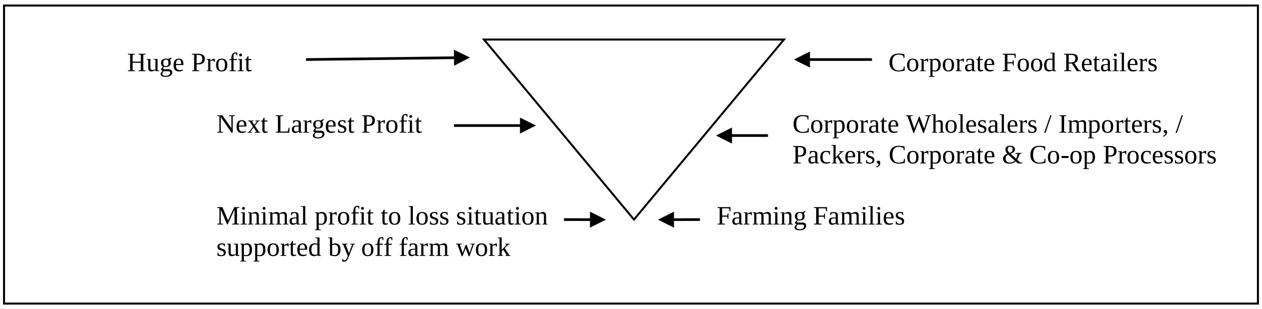
A more even balance of income to reflect costs and risks by the many as opposed to the few would improve health and welfare and help protect the environment.

NI Farm Groups

The Northern Ireland Farm Welfare Bill

1. The purpose of the NI Farm Welfare Bill is to end the corporate and co-op abuse of farm gate prices for family farm businesses. This situation is now affecting the Welfare of well over 25% of farming families and putting many out of business, only to be replaced by higher cost factory farms with all the environmental consequences that brings!

2. The current farm gate price situation is like an inverted pyramid where a handful of extremely wealthy corporates exploit their financial muscle on a daily basis to the determent of family farmers at the bottom of the pyramid!



3. Currently, Northern Ireland has under 25,000 active family farmers remaining, down from 40,724 in 1981 to 29,818 in 2001 to 24,827 by 2020. These dedicated people and their diminishing staff are now being fed the ever increasing number of buzz words in recent decades by the corporate and co-op processors – get more efficient, keep more cows, pigs chickens therefore in theory the farmer should have more profit – not so! The result has been diminished profits – 24/7 work for farming families supported by less and less young people who do not see any future in farming without reward – thus the recent buzz words succession planning – an attempt to bring would be young farmers into a business not fit for purpose and therefore not capable of sustaining a young family nor to enable the running of a business and employment of staff as required as should be. This Bill would give NI family farmers the opportunity to invest in their future – employ the high tech staff and others they now urgently need to give them a balanced life instead of the all too familiar treadmill of debt and drudgery when it should be a pleasure. With the average NI farmers age over 57 and less than 5% of young farmers under 35 this industry that continues to put food on our tables will continue to decline at a rate of noughts to be replaced by factory farms, the

likes of which NI hasn't yet seen much of and therefore the end of tourism as we know it!

4. The Bill will return family farmers a minimum of the cost of production inflation linked plus a margin for all produce produced on Northern Ireland farms. It will ramp up to this level over a 2 year period so as not to cause any shocks in the market place. In this time its influence will have a rising tide effect across these islands and further afield with higher farm gate prices as a result.

5. The funding for this will come from the top of the pyramid down – in short forcing the corporates to lower their profits. This will not affect food prices to consumers other than normal inflationary increases because retail prices are set and adjusted on a daily basis by the corporate food retailers constantly jostling for position in the marketplace.

6. With all commodities heading to be profitable NI farmers will chose to return to a balanced agriculture with more vegetables, cereals and protein crops grown (much needed). This will allow for better crop rotation along with the hills being traditionally restocked and balanced with nature. Rural NI in harmony with nature and innovations will be a better place with increased employment assessed at 10 – 20,000 jobs town and country side alike by The Gosling Report – how you ask? There may be a paramedic, a doctor or a builder in Belfast who has a farm at home - up to now not viable who will return to his farm, releasing a job in town. Thousands of farmers would employ staff if they could afford the trained staff and others they need. If farmers have money they will increase their spending with the 123 businesses they purchase from or have an indirect affect on! The Gosling Report, a 13 page report points this out, in addition every job in agriculture creates 4 jobs down the line according to a UCD report in recent years.

7. In addition, the Bill has an anti-avoidance clause – for example Northern Ireland is 80% export on beef therefore, there can be no justification during a climate change emergency declared by the EU, declared by Westminster and declared by Stormont for any corporate or other to import beef into Northern Ireland, other than pure corporate greed for profit – this will not reduce carbon foot prints and cannot be allowed to continue, therefore, the anti-avoidance clause states that any corporate or company considering importing beef to Northern Ireland must prove that they made 3 attempts to purchase beef within Northern Ireland before going down this route, otherwise they would be fined!

8. Ladies and Gentlemen of the Agriculture Committee, this Bill must go forward as an emergency Bill as its progress has been trumped by the fall of Stormont in 2016, followed by the dreadful COVID-19 upon Stormont re-sitting last year! What many

don’t realise about the ever present food on their table currently is the increasing pressure on family farmers to keep this going! Before COVID-19 family farmers were in a bad place with farm gate prices and coping with increasingly volatile weather patterns due to climate change! Then along came the uncertain years of Brexit and now these are confirmed in increasing costs on farms and lack of supply of certain products along with problems in the pedigree stock and seed supplies. Add in COVID-19 and its ability to mutate almost at will and farming families must immediately be put in a position where they have money in their pockets to at least hire in emergency staff if key family members go down with COVID or indeed the sole farmer himself.

9. NI Farm Groups are now receiving information about too many close call COVID situations on farms, all of which led to reduced output and some permanent! Our farmers finally deserve better - they have been the quiet heroes for decades and not least in the last 12 months where many have delivered your food despite personal loss - we need your help! Deliver this emergency Bill for NI and NI family farmers will honour the old saying – ‘when the farmer is doing well – everyone does well’! Let’s give our young farmers a future, let’s provide some dignity and an opportunity for our 70+ year old aging farmers to retire to take it easier and let’s create 10-20,000 jobs for Northern Ireland and tomorrow can be a good day!

A

B I L L

TO

Prevent damage to the welfare of farming businesses in Northern Ireland by making provisions about the prices for farm produce.

BE IT ENACTED by being passed by the Northern Ireland Assembly and assented to by Her Majesty as follows:

Fair Farm Gate Prices Index

1.—(1) The Department must arrange, in accordance with this Act, for the compilation, maintenance and publication of an index to be known as the Fair Farm Gate Prices Index.

(2) The Index must make separate provision for each class of produce commonly sold by farming businesses.

(3) In respect of each class of produce the Index—

(a) must specify a lowest price to be paid for best-quality produce;

(b) must specify a lowest price to be paid for produce of the lowest quality consistent with acceptability to the general wholesale market and compliance with legislation regulating produce for human consumption; and

(c) may specify other prices by reference to objectively ascertainable quality indicators falling between the best and lowest qualities.

(4) The prices set in accordance with subsection (3)(a), (b) and (c) where applicable, must be set by—

(a) the cost of production (increased annually to reflect inflation), plus

(b) an appropriate margin.

(5) The Index must—

(a) reflect costs and business practices by reference to the most efficient 10% of farming businesses in Northern Ireland (having regard to any subsidies and grants, and including production across the range of produce commonly sold by farming businesses);

(b) specify prices which are designed to represent the mean cost of production plus the smallest margin consistent with long-term viability of farming businesses (the "viability margin");

(c) at each revision, index-link the viability margin;

(d) specify, in relation to each class of produce, any age limits, weight limits, numbers of farm moves before market, organic or other conditions or other factors used to define the class.

Fair Farm Gate Pricing Panel

2.—(1) The Commissioner for Public Appointments for Northern Ireland must appoint a group of persons ("the Fair Farm Gate Pricing Panel") to oversee the compilation and maintenance of the Index (including identification of the classes of produce and calculation of the prices to be specified).

(2) The Commissioner must—

(a) ensure that the Panel has no less than 8 or more than 12 members;

(b) appoint to the Panel only persons who appear to the Commissioner to be independent of government and of the wholesale and retail industries;

(c) aim to include persons with relevant experience of and expertise in relation to the economics of farming;

(d) aim to include one or more persons with experience of veterinary medicine;

(e) appoint each member for a period of 3 years, with the possibility of renewing the term once (but not more than once) for a particular member; and

(f) appoint as Chair a person who appears to the Commissioner to be independent of farming interests, of Government and of other relevant sectoral interests.

(3) Before making appointments to the Panel the Commissioner must consult—

(a) any group which has indicated to the Commissioner that it wishes to be consulted as representing the interests of farming primary producers in Northern Ireland; and

(b) one or more groups appearing to the Commissioner to represent the interests of the veterinary profession.

(4) The Commissioner may appoint one or more persons as observers, to attend meetings of the Panel but not to participate.

(5) The Panel must once in each calendar year jointly appoint individuals ("independent experts") to—

(a) make recommendations for the first Index as soon as reasonably practicable after the coming into operation of this section;

(b) review the Index (and if necessary make recommendations for revision) in January of each calendar year; and

(c) review all or any part of the Index (and if necessary make recommendations for revision) more frequently if the Panel considers it desirable having regard to changing economic circumstances.

(6) The Panel must, having regard to the recommendations of the independent experts—

(a) set the first Index during the period of 120 days beginning with the date on which this section comes into force;

(b) maintain the Index;

(c) publish a table showing the seasons during which each category of produce commonly sold by farming businesses is available for purchase in Northern Ireland.

(7) Individuals may be appointed as independent experts only if the Department and the Panel are satisfied that they—

(a) have the necessary financial expertise to make recommendations for the Index, and

(b) are independent of government, and of the wholesale, retail and farming industries.

(8) The Department—

(a) must pay appropriate remuneration and expenses to members of the Panel and the independent experts,

(b) must provide the Panel and the independent experts with appropriate secretariat and other facilities, and

(c) must ensure that the Panel and the independent experts have access to relevant information held by the Department about agriculture in Northern Ireland.

Minimum pricing

3.—(1) It is an offence for a relevant person to buy listed produce from a farming business for a purchase price below the listed price.

(2) In this section—

"listed produce" means produce of a class specified in the Index; and

"listed price" means the price specified in the Index (having regard to the quality of the produce and the conditions by reference to which the relevant class of produce is defined in the Index).

(3) In applying subsection (1), "purchase price" means the price after any discounts or deductions (however described).

(4) A person who commits an offence under subsection (1) is liable on summary conviction to a fine not exceeding £50,000.

(5) The Department must appoint inspectors to consider disputes about the application of the Index to transactions (including disputes about the quality of particular produce); and the written or oral evidence of inspectors appointed under this subsection may be admitted in proceedings in respect of an alleged offence under this section.

(6) The Department must consult the Fair Farm Gate Pricing Panel before making appointments under subsection (5).

Anti-avoidance provisions

4. —(1) It is an offence for a relevant person to purchase produce intended for retail sale within Northern Ireland, from a supplier who is not a farming business within the meaning set out in Section 6 of this Act.

(2) For the purposes of this section, produce shall mean such classes of produce as are deemed to be commonly sold by farming businesses in Northern Ireland, as specified in Section 1(2) of this Act and as defined in Section 6.

(3) It shall be a defence for a person charged with an offence under subsection (1) above to show that they completed a Produce Non-Availability Report at the time of purchasing the produce.

(a) a Produce Non-Availability Report may be validly completed in circumstances where:

(i) the relevant person has evidence of attempting to purchase the produce to which the Produce Non-Availability Report relates from at least three farming businesses, as defined by Section 6, and

(ii) based on the other information available to them at the time, reasonably concludes that the produce will not be available, either at all or at the index price, from a farming business as defined.

(d) a relevant person completing a Product Non-Availability Report shall be required to maintain copies of any such reports for inspection by the Commissioner or persons appointed on his behalf, for six years from the date of the purchase to which it relates.

(4) It shall be a defence for a person charged with an offence under subsection (1) above to show that the produce purchased was out of season at the time of the purchase.

(5) A person who commits an offence under subsection (1) is liable on summary conviction to a fine not exceeding £50,000.

(6) The Department must appoint inspectors to carry out random inspection of Produce Non-Availability Report records held by any relevant persons to whom the act pertains.

Commencement and transitional

5.—(1) The preceding provisions of this Act come into operation on such day or days as the Department may by order appoint.

(2) Until the end of the period of two years beginning with the date on which this Act is passed, section 1(4) applies with such modification as the Panel thinks appropriate to ensure an orderly transition to the application of the Index.

(3) Where the Panel apply section 1(4) with modifications, they must make provision for the gradual adjustment towards application of section 1(4) without modifications, at intervals of around three months.

Interpretation

6. In this Act—

"the Department" means the Department of Agriculture, Environment and Rural Affairs;

"farming business" means any commercial undertaking located in Northern Ireland producing agriculture or horticulture (or both) consisting of one acre or more of farmed land;

"the Index" means the Fair Farm Gate Prices Index;

"produce" means produce grown or produced on a farm in Northern Ireland; and

"relevant person" means any sole trader, partnership, co-operative group, public or private limited company who is a wholesale purchaser of produce commonly sold by farming businesses, bought with the intention of onward processing, wholesale or retail sale. Retail sale, for the purposes, does not include sale at local markets, farmers' markets or other ad-hoc or non-permanent points of sale;

"produce commonly sold by farming businesses" means any class of field crop, livestock product or other agricultural or horticultural produce which generates an estimated annual aggregate output from NI farms of one millions pounds sterling or more;

"the Panel" means the Fair Farm Gate Pricing Panel;

"out of season" – means falling outside the season for that category of produce being available in Northern Ireland, as specified by the panel in accordance with section 2, subsection 6(c).

Short title

7. This Act may be cited as the Farm Welfare Act (Northern Ireland) 2020.

On the eve of destruction:

The case for Stormont intervention to save Northern Ireland's farming industry

Northern Ireland's farmers are in financial crisis. Farmgate prices have collapsed. The consequence is economic and social misery for farming families and for much of Northern Ireland's rural society.

This crisis has severe impacts for the whole of Northern Ireland's economy. Farming profits are small and in many cases non-existent, leading to a serious problem of poverty within farming families. Farms that do not generate profits are unable to employ farm workers, reducing the number of people in work and creating unemployment. Both farming families and redundant farm workers have less cash to spend in the wider economy, which is felt in the retail, farm supply and hospitality sectors.

The impact is particularly severe on the rural economy, which is increasingly becoming marginalised, despite the slow improvement in Northern Ireland's wider economy. It is essential that Northern Ireland does more to support the rural economy and its social infrastructure. This document – produced for FFA (Farmers For Action) and NIAPA (the Northern Ireland Agricultural Producers Association) – examines the economic impact of current policies, in particular the absence of protection for farmgate prices. It concludes by arguing for intervention by Stormont to protect farmers and the fair pricing of agricultural produce.

Executive summary

1. Farming incomes have collapsed globally and in the UK. But the collapse has been much more severe in Northern Ireland than in Great Britain. In 2014 alone, farming incomes in NI fell by 17%, compared to 4% in GB.

2. A large proportion of Northern Ireland's farmers run their farms at a loss. Some 14% of NI farms reported a loss in 2013/14; 23% did so in 2012/13. The figures for 2014/15 are likely to be worse, given the subsequent decline in farming incomes. (Official statistics for 2014/15 will only be available from NISRA at end of January 2016 and from the Office for National Statistics in March 2016.)

3. The most recent research into rural poverty found that 25% of UK farmers live in poverty because their farms generate too little income.

4. Prices for agriculture produce have fallen substantially in recent years: for example, pig farm income fell by 24% in the year ending February 2015 and poultry farm income fell by 19%.

5. Dairy prices have collapsed and wholesale milk prices are now substantially below the cost of production. In the UK, farmers receive on average 19 pence per litre, compared to production costs of 27 pence per litre. Once a margin is included to pay for investment, FFA calculates this should lead to actual costs equating to around 32 pence per litre. In Germany, the European Milk Board reports, milk producers receive only 66% of their costs. It reports that the average cost of production is 44.79 cents, which works out at 33.7 pence per litre on current exchange rates.

6. Milk prices in NI are on average below those in GB, because much more milk production is used as ingredients in dairy products and is therefore more closely subject to international commodity prices.

7. Agriculture is one of NI's most important industries. It is responsible for 1.4% of NI economic output, compared to 0.6% of the UK's.

8. Nearly 50,000 people in NI work on farms, almost half of them as employees. The broader agri-food industry generates 10% of NI employment and is a foundation of the NI economy.

9. Many other jobs are dependent upon the farming industry. For every ten jobs in meat production, another six and a half jobs are indirectly created in other parts of the economy. In dairy production, every ten jobs within the sector generate another ten jobs elsewhere in the economy.

10. Almost a quarter of all jobs in the agriculture sector – more than 15,000 – have already been lost in the last 20 years. More will be lost without effective intervention in the market, or market reforms.

11. While the price of agricultural produce has fallen, the cost of this has impacted mostly on farmers. Wholesalers and food producers have merged, improving their bargaining position with farmers. As a result, farmers must either accept reduced prices for produce, or else be unable to sell their produce.

12. The recession was particularly damaging to the farming industry. While some other sectors – such as banking – are now significantly recovered from the Great Recession, agriculture has not.

13. The NI Executive's Going for Growth agri-food strategy aims by 2020 to grow sales by 60% to over £7bn, create 15,000 new jobs and grow sales outside Northern Ireland by 75% to £4.5bn. None of these objectives looks realistic with a farming industry in substantial decline.

14. Given the significant consolidation that has taken place within the food wholesale and food processing sectors, there is an imbalanced market. Suppliers – the farmers – are unable to obtain fair prices, or recover the cost of production. This situation requires political intervention to protect what remains of the farming industry and to assist in its rebuilding.

15. There are precedents for legislatures to pass laws that help to determine market prices. Many countries, including the UK, impose a system of carbon pricing –a direct interference by government in market mechanisms. The EU imposed a cap on mobile phone roaming charges. Protecting farmgate prices would assist with EU objectives of preserving food security and the sustainability of food production.

16. According to the FFA, the vast majority of full-time farmers when asked said they would employ an extra farm worker if their income rose sufficiently to afford this. That would create over 8,000 jobs – or more if part time farmers also took the opportunity to take on paid workers. Taking into account the multiplier effect that generates other jobs in the economy – in suppliers, logistics, wholesalers, food producers and through the impact of employee spending – this would generate a net impact on employment of up to 20,000 additional jobs.

17. Studies of employment in other relevant sectors – hospitality and small firms – show a positive fiscal impact of around £14,000 per job. This is arrived at by adding the tax income generated per person, plus the reduction in welfare spending. For 20,000 jobs, this would create a positive fiscal impact per year of around £280m.

18. These additional jobs would also reduce the cost to Stormont of the welfare top-ups.

19. There would be a range of other positive economic impacts from the creation of such a large number of jobs. These would include strengthening the retail sector in rural areas, safeguarding shops and pubs. Farmers' creditors would recover debts that are presently doubtful, thereby protecting key businesses in the rural economy (such as vets and farmer-owned co-operatives). Banks would also be able to recover debts that are overdue for payment.

20. Intervention by the Northern Ireland Assembly to protect farmgate prices by requiring wholesalers, retailers and food processors to pay at least the cost of production plus an inflation-linked margin is both a practical and effective way of supporting farmers and the rural economy.

The collapse in farming incomes

Farming incomes in Northern Ireland have collapsed in recent years. As a result, few farms are generating enough profit for their owners or farm workers to achieve a living wage. If farm owners were subject to minimum wage legislation (which they are not, as they are self-employed), many – probably most - would be in breach of the law by paying themselves too little.

This is not a choice: farm incomes do not provide enough money for farmers to pay themselves properly. (The full national minimum wage is £6.70 per hour.[i] As it is unusual for farmers to work less than 50 hours a week[ii], this suggests pay should be at least £335 a week, or £17,420 a year. That is substantially more than a large number of self-employed farmers are currently able to pay themselves.) Farmers are even further away from achieving the 'living wage' that allows a decent quality of life, which is currently assessed by the Living Wage Foundation at £8.25 an hour.[iii]

According to the latest NISRA stats, 33% of Northern Ireland farms reported a Farm Business Income of less than £10,000 in 2013/14. In the 2014 calendar year, farming income in Northern Ireland was 16% down in cash terms – 17% after allowing for inflation – on that in 2013, falling from £336m to £283m.[iv] Farmers lost out because prices fell, demand for agricultural produce fell and the value of Single Farm Payments fell, because of the rise in value of sterling against the euro.

Some 14% of farms reported a trading loss in 2013/14. Farmers in cereal, cattle and sheep were particularly prone to making a loss.[v] A worryingly high percentage of farms do not report financial profits: 29% recorded a loss in 2004/5; 27% in 2005/6; 13% in 2006/7; 10% in 2007/8; 11% in 2008/9; 14% in 2009/10; 13% in 2010/11; 9% in 2011/12; 23% in 2012/13; and 14% in 2013/14.[vi]

Yet agriculture is a foundation of the Northern Ireland economy, in terms of the proportion of economic activity it is directly and indirectly responsible for. Agriculture is much more important to the NI economy than it is to the GB economy. It represents 1.4% of NI GVA (gross value added, ie economic output), compared to 0.6% of all UK GVA.[vii] The total food and drink sector is responsible for 3.5% of NI GVA and 6% of its employment.[viii] The calculated employment multiplier of the sector is that for every ten jobs in meat production, another six and a half jobs are created indirectly, or through induced spending, while the figure for dairy production is that for every ten jobs an additional ten jobs are generated in the wider economy. According to the Growing for Growth strategy, every job in food processing generates an additional two jobs in the rest of the economy.[ix]

Farming income in NI has been hit much more severely than that in GB. In 2014 in NI, it fell in real terms by 17%, compared to a fall of just 4% across the UK.[x] Had incomes in 2014 been maintained at 2013 levels (which were already far too low), Northern Ireland would have generated an additional £48m in income.

On a UK-wide basis, there is evidence of severe hardship and poverty. In 2010 - before the most recent rounds of price reductions for milk, meat and agricultural commodities – one in four farming families were living below the poverty line. Unfortunately, more recent figures are not available as the UK Government abolished the body (the Commission for Rural Communities) monitoring the extent of poverty in farming and rural environments. The situation will be much worse now than in 2010, given what has happened to agriculture prices since then.

For example, in the year ending February 2015:

Cereal farm income fell by 9%;
General crop farm income fell by 23%;
Dairy farm income fell by 5%;
Pig farm income fell by 24%;
Poultry farm income fell by 19%;
Horticulture farm income fell by 7%; and
Mixed farming income fell by 27%.[xi]

This equated to very substantial falls in income for farmers, many of whom were already in poverty.

Another impact in this persistent decline in income is a loss in the number of farms. In 1994 there were 33,645 farms in NI. By 2014 this had fallen to 24,228 – a reduction of 28% over 20 years.[xii]
In 2013/14, there were 10,419 medium sized or large farms (above 0.5 SLR, or 'Standard Labour Requirement'). This also reflects a continuing reduction in the number of farms in NI. In 2004/5 there had been 12,013 farms (above 0.5 SLR).[xiii]

Income per farm is subject to significant volatility. In the period from 2008/9 to 2013/14, average net farm income varied as follows: £19,910, £14,223, £21,727, £27,141, £12,888, £24,153.[xiv] These are very low net incomes, even in the 'best' years.

The collapse of employment in agriculture in Northern Ireland

In 2014, 47,864 people worked in agriculture, fisheries and food in NI as either employed or self-employed.[xv] Of these, 26,000 were employed, representing 3.1% of NI employment.

It is also the basis of the food production industry in NI, which is also very important to the NI economy, employing 21,000 people in 2014 and generating £4.5bn in turnover that year.[xvi]
There has been a long-term reduction in employment in agriculture in Northern Ireland. In 1994 there were 63,135 people engaged in agriculture in NI (comprising 24,643 full time farmers and partners; 16,464 part time farmers and partners; 6,208 spouses; 3,681 full time workers; 3,177 part time workers; and 8,962 casuals). By 2014 this had fallen to 47,864 (comprising 16,206 full time farmers and partners; 12,894 part time farmers and partners; 6,279 spouses; 3,485 full time

workers; 4,081 part time workers; and 4,919 casuals).[xvii] This represents a total reduction of 15,271, or 24%.

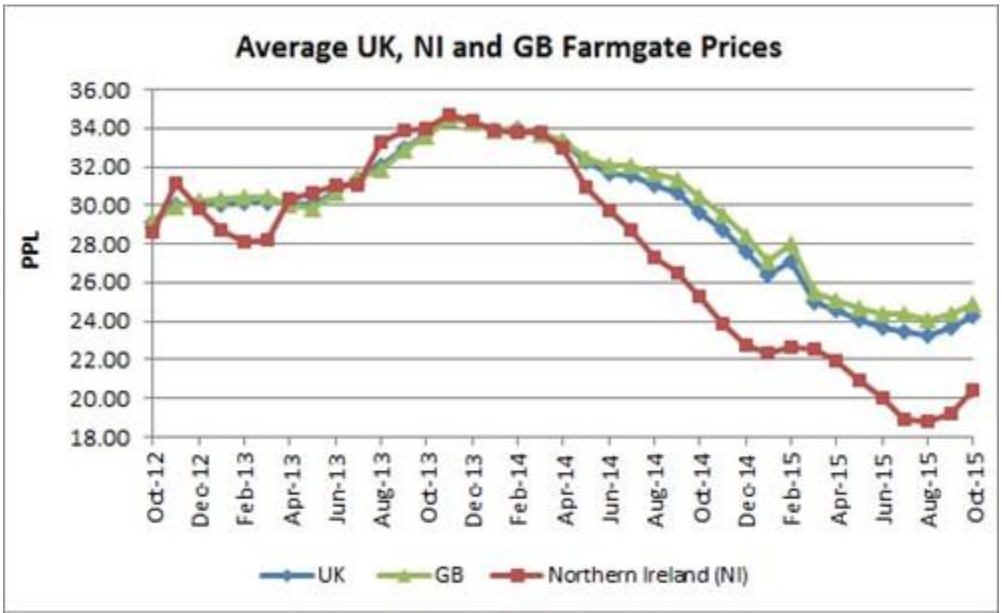
The introduction of a higher national minimum wage, or National Living Wage, is likely to have a particular impact on the capacity of farming businesses to maintain employment at even existing levels, without additional support.

The collapse in farmgate prices

"The NFU estimates that only around 10 per cent of dairy farmers are on contracts that track farmers' cost of production, meaning most dairy farmers are producing milk below the cost of production."[xviii] But while the problem is dire for the members of the National Farmers Union of England and Wales, it is even worse for the members of the Ulster Farmers Union, which issued this statement.

Problems in milk production intensified during 2015, with milk prices and production falling significantly. In September, DARD reported that milk production in Northern Ireland had fallen by 20% since May – from 225 million litres to 180 million litres. Farmers were receiving an average of 19 pence per litre, compared to production costs of 27 pence per litre.[xix] According to FFA, a price of 32 pence per litre is necessary in order to include sufficient margin to invest in the future. This figure is supported by a calculation by the European Milk Board, which reports that a price that equates on current exchange rates to 33.7 pence per litre is required in Germany to cover the real cost of production.[xx]

Figures published in December 2015 by Defra for all UK milk prices reported that farmgate prices stood at 24.23 pence per litre, demonstrating how out of step NI prices are from those in GB. Even the UK average prices had fallen by 18.3% in a year. Defra reported that the average farmgate price in NI was 20.40 pence per litre, which was down by 19.3% in a year. A larger proportion of NI milk goes into commodity markets – for example, for processing for cheese – so farmgate milk prices in NI are more closely linked to world commodity markets.


Average UK, NI and GB Farmgate Prices
PPL
36.00
34.00
32.00
30.00
28.00
26.00
24.00
22.00
20.00
18.00
Oct-12
Dec-12
Feb-13
Apr-13
Jun-13
Aug-13
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UK
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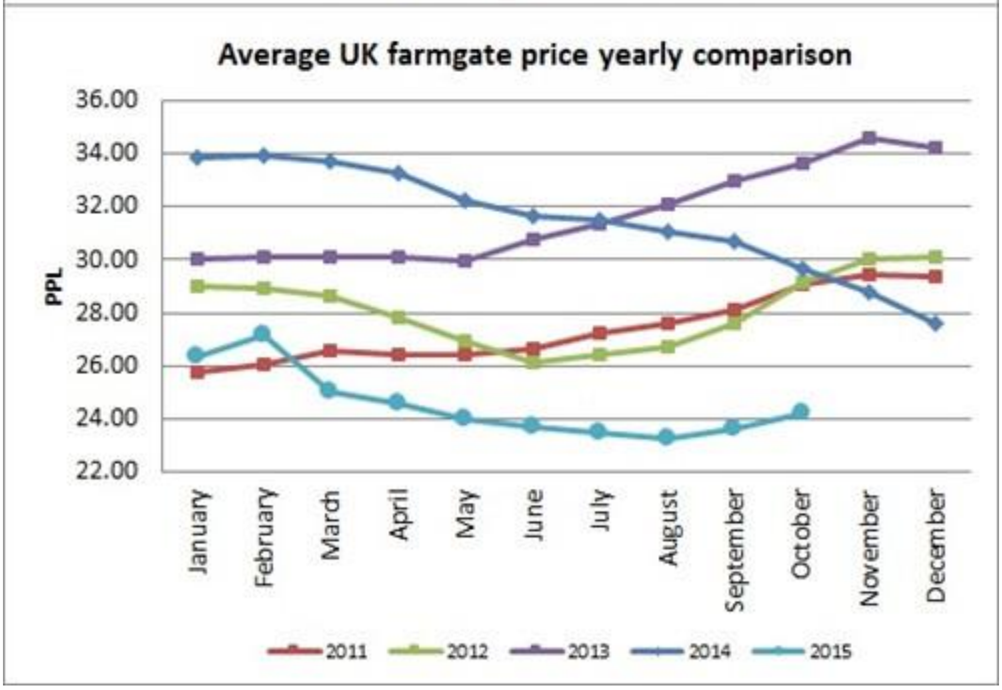
Average UK farmgate price yearly comparison
PPL
36.00
34.00
32.00
30.00
28.00
26.00
24.00
22.00
January
February
March
April
May
June
July
August
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2011
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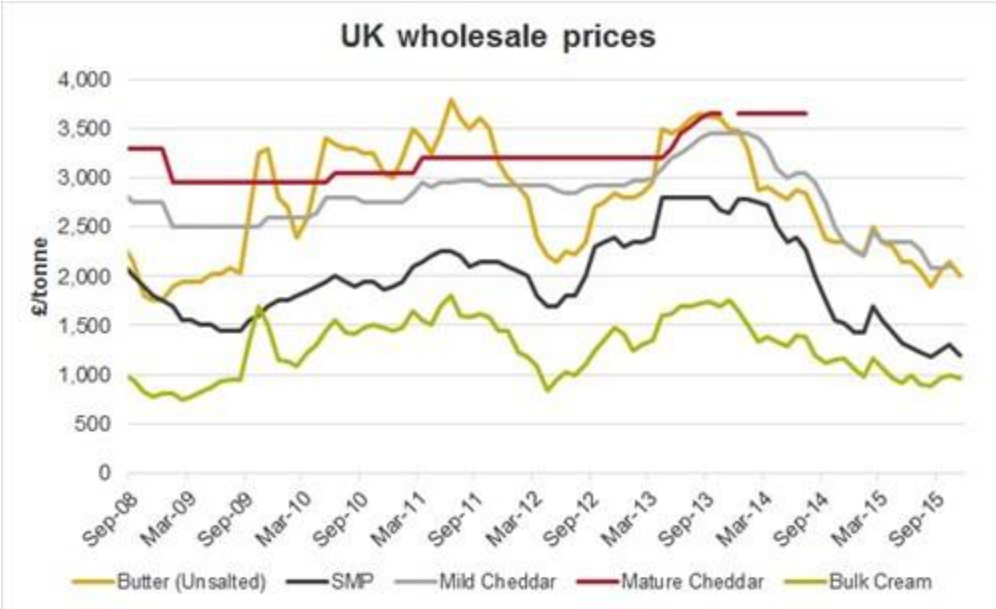
2015



Source: ADHB, using statistics from Defra, DARD and ADHB Dairy [xxi]

Agricultural commodity prices have been falling heavily on world markets in recent times. According to the EU's Commodity Price Dashboard, durum wheat prices fell by 21.7% in the year ending October 2015. Soft wheat prices fell by 23.7% on the world market, in the same period. Beef prices on the world market fell by 30.5%; pork by 31.6%; cheese by 20.3%; SMP by 21.1%; and barley by 8.2%.[xxii]

This is part of a longer term trend. Statistics produced by the FAO (the Food and Agriculture Organisation of the United Nations) show food commodity prices have fallen by 16% in the period from 2002/4 to 2015. Dairy prices dropped by 15.5% and meat by 19.7% in the same period. The World Bank Index reports that prices for fats and oils fell by 14.7% between 2010 and 2015, while those of grains reduced by 9.0%, with 'other foods' falling by 13.9%.

The crisis afflicts farmers across Europe. A new study from the European Milk Board found that the price paid for milk to German milk producers met only 66% of their costs. In addition, of course, farmers need to generate a profit to enable them to invest for the future. "In Germany, the milk price of 29.42 cents was far from covering the average cost of production of 44.79 cents," said the report published in December 2015. "Yet, this imbalance in the milk sector and its dramatic consequences for producers and rural development is not only a German problem.... In Belgium farmers only get 25 cents for one litre of milk and in Denmark 29 cents."[xxiii]

It adds: "The dairy sector in Europe thus currently faces a deep crisis, which forces many dairy farms out of business." The European Milk Board has developed a Market Responsibility programme to bring milk producers back into profit, which might operate alongside measures adopted by the Northern Ireland Assembly.

Why agriculture prices have collapsed

It would be entirely wrong to assume – as some have argued - that price falls in wholesale and retail agricultural prices can be explained by better production systems, more effective fertilisers/pesticides and better working methods. These are marginal factors. If they were the reasons for lower prices, margins and profits for farmers would have remained steady. Instead they have collapsed.

In the late 1990s, a revolution in trading relations within the agriculture industry, along with lower world commodity prices and a strong pound, destroyed farming profits in the UK. A 2001 report by Deloitte and Touche found that a 500 acre farm in the UK would have suffered a loss of profit from £80,000 in a year to just £2,500 in five years.[xxiv] This was despite cutting overheads by 10% in the preceding years, which also saw a sharp rise in inflation affecting input costs. Many farmers have never recovered from the impact of this period.

"The recession dealt a body blow to the food industry, and its after-effects are still being felt," says Strategy&Co, part of PwC, in a 2015 report.[xxv] The trend is international. In the US farmers had their poorest year in terms of income in 2015 since 2002.[xxvi] But while farmers' income has fallen across the EU, it has fallen particularly heavily in the UK, where it fell by 19.3% in 2015 according to Eurostat. This led to farmers' confidence "plummeting".[xxvii] As noted before, where the UK has caught the flu, in Northern Ireland this is a bad case of pneumonia.

The Financial Times reported in the second half of 2015 the difficult financial position facing farmers globally. "A slowdown in demand has coincided with increased production as farmers around the world have responded to higher prices, helped by ideal weather," it said. "Consecutive bumper crops over the past few years and the resulting high inventories around the world have depressed prices and incomes for farmers. The corn price, for example, is trading at $3.80 a bushel — less than half of the all-time record seen in 2012."

The FT added that research from the University of Minnesota[xxviii] found net profits had typically fallen by more than two thirds between 2012 and 2014. This trend in the US was further confirmed by the Congressional Research Service in a report for Congress[xxix], which found that farming income in 2015 was likely to be 38% down on that in 2014. If confirmed, this would be the lowest since 2002.

Market consolidation

Market consolidation in the wholesale and food processing sectors through mergers and acquisitions has been a major factor in the farming crisis. Farmers are in unequal trading relationships with wholesalers and food processors. While NI farms are mostly small businesses, their produce is bought by large organisations. A few large wholesale outlets control the wholesale prices, with individual farms unable to negotiate sustainable terms.

"Farming is a sector like no other," wrote Michael S. Carolan in the book 'Reclaiming Food Security', 2013. "Treating it otherwise has proven disastrous for producers – an ill-advised outcome for any nation looking to enhance its food security. Market concentration in the heart of the agrifood chain has been allowed to occur under the guise of 'economies of scale' and 'market efficiencies' (*dis*economies of scale and market *in*efficiencies are more apt descriptors). These structural changes have locked producers into an unequal relationship with their suppliers and buyers. For example, farm-gate prices for cereals, after making adjustments for inflation, have either remained steady or declined over the last eighty years. Meanwhile the price of inputs has increased, on average, more than sevenfold..... The power of processors lies largely in their ability to manipulate prices as buyers." (Emphasis in the original text.)[xxx]

With retailers dealing with heightened competition, the pressure is on wholesale suppliers and food processors to cut prices, achieve efficiencies and strengthen their bargaining position with their suppliers (for the most part, farmers). It is a similar trend in the supply sector to food processors and restaurants. There have been a number of mergers and acquisitions in recent years. For example, in the United States the two largest food wholesalers (Sysco and US Foods) attempted to merge, but were opposed by federal authorities.[xxxi] [xxxii] There are numerous examples of consolidation in the wholesale food sector. The Grocer recently reported that two-thirds of businesses in the food supply sector are looking to mergers and acquisitions.[xxxiii]

"Mergers and acquisitions (M&A) in the food and beverage sector have accelerated in recent years, with more than 200 announced US deals over $50 million in the last five years, totaling about $235 billion ," according to analysis by Strategy&Co.[xxxiv] "M&A is likely to become increasingly important, not just in growing food companies, but in streamlining and focusing them," it added. Amidst a global climate of defensive M&A deals in a challenging economic environment, the food processing sector has accelerated its deal-making. "2014 was the busiest year for mergers and acquisitions in the food and beverage industry since The Food Institute started keeping records," reported the Institute in late 2015. "The organization recorded 503 deals (not all of them closed yet), a 61.7 percent increase from the previous year."[xxxv]

This trend is confirmed by other sources. Mergermarket's Consumer Trend Report for H1 2015 found a 130% rise in M&A activity in the food sector in the first half of 2015, compared to that in 2014. The first half activity was the highest since before the Great Recession (ie in 2007).[xxxvi]

According to the Financial Times: "The ripple effect is spreading through to international agribusinesses providing seeds, fertilisers and equipment."[xxxvii] An accompanying chart in the FT showed the severe impact of this on capital spend, which fell alongside income – both reduced from around 130% of long term averages in 2012 to a little over 40% of long term averages in 2015.

But the most devastating impact of mergers in the food processing sector has been to put enormous price pressure on farmers, driving prices in far too many instances below the cost of production.

Going for growth

The Northern Ireland Executive's strategic action plan for the farming and food sector is called 'Going for Growth'. "Agri-food is one of our most successful industries. It has a proven track record for growth with sales of over £4bn per year and accounts for around 10 per cent of our private sector employment," said the Department for Agriculture and Rural Development, when publishing the report[xxxviii]. Going for Growth aims to strengthen and expand the farming sector: an ambition which is directly contradicted by current trends in farming in Northern Ireland.

An action plan was agreed by the Executive. In its introduction, the plan stated: "Central to the success of Going for Growth will be delivering on its Strategic Vision to "grow a sustainable, profitable and integrated Agri-Food supply chain, focused on delivering the needs of the market. Realising this Vision will be essential if our agri-food sector is to achieve the AFSB's challenging targets to grow sales by 60% to over £7bn, create 15,000 new jobs, grow sales outside Northern Ireland by 75% to £4.5bn and to increase value added to £1 billion by 2020."

It continued: "We have collectively agreed to give priority consideration to support for this sector and, in particular, proposals for a 'Farm Business Improvement Scheme' of up to £250m, as recommended by the AFSB, which will be taken forward as part of the Rural Development Programme 2014-2020. Successful delivery will require the Executive and industry to continue to work together in partnership to deliver on the aims and objectives of Going for Growth..... The Going for Growth targets are underpinned by 118 recommendations, more than 80 of which are addressed to government."[xxxix]

The ambitions are impossible to achieve without a profitable farming sector. Yet, in contrast to the ambition and the detailed targets and recommendations, the reality is that Northern Ireland's farming industry is going backwards, contracting and moving from profit into losses and poverty. Given the scale of this contrast, the key question is what will the Northern Ireland Assembly and Executive do to address the crisis?

The case for legal intervention to protect farmgate prices

As this report makes crystal clear, there is a disparity in the power relationships between the farmers and those buying their produce. While the buyers are getting themselves into ever stronger bargaining positions, farmers are left with the simple choice of selling at the price determined by the buyers, or else not selling at all. It is a dysfunctional market. Without intervention, the market will lead to further destruction of the farming industry. More farmers will go bust; more banks will lose money loaned to farmers; more farm workers will lose their jobs; more farming families will lose their incomes and sink into worse poverty; and more rural communities will lose their hearts and their economies.

In this very negative context, it is difficult to see a way forward that safeguards farmers and farming communities – other than the protection of farmgate prices. One of the roles of government is to protect the vulnerable from exploitation by the powerful. In Northern Ireland today, farmers are some of the most vulnerable and exploited citizens.

It would not be unique for a government to interfere in a market to determine or protect prices. One example is the Scottish government's adoption of a minimum price for alcohol.[xl] Another instance is the control of private tenancy rents in England and Wales for many years.[xli] Many countries, including the UK, impose a system of carbon pricing – which is also direct interference by government in market mechanisms. The European Commission has interfered in market mechanisms by establishing a maximum roaming charge for mobiles.[xlii] [xliii]

It is important to bear in mind that EU competition policy is predicated on the desire to protect the welfare of the consumer.[xliv] Where there is a potential conflict between competition law and a policy designed to protect the welfare of the consumer, there is a strong legal argument that the welfare interest will be paramount.[xlv]

It has also been established that the NI Assembly has the powers to legislate on this. (See correspondence between FFA with the Secretary of State, late 2013 and early 2014.) Legal advice to FFA is that the legislation should withstand a challenge of being anti-competitive, as the obligation for retailers to pay more than the cost of production would apply to whoever was the supplier and from whichever was the country of origin.

While the overwhelming argument in favour of food being wholesaled at a price above the cost of production is to protect farmers' income, it is not the only factor to be considered. Food security, the sustainability of food production and the impact of climate change are recognised as primary concerns of the European Union.[xlvi]

The potential impact of protection for farmgate prices

Over the last 20 years, there has been a loss of 15,000 jobs in the agriculture sector in Northern Ireland (see above). Some of this will reflect the use of more modern technologies and practices – but much (perhaps most) is the result of the agriculture sector moving from profitability into economic marginalisation.

By contrast, Farmers For Action have consulted a large cross-section of full-time farmers, the vast majority of whom have responded that with increased profitability they would take on additional labour. With around 16,000 full time farmers in Northern Ireland, that would potentially create 8,000 to 16,000 jobs. Many farmers – nearly 13,000 in Northern Ireland - are now working part-time, but many of these would prefer to return to the farm full time. This would potentially increase their income, while releasing their current second employment for other people to gain work and incomes.

It is reasonable to speculate on a conservative basis that 5,000 to 10,000 jobs could be directly created through effective farmgate price protection. This is predicated on the prospect of between one in five and two in five farms taking on an extra farm worker. In addition, the multiplier effect (see above) means that every thousand people employed in agriculture in Northern Ireland generates between 650 and 1,000 additional people employed elsewhere in the economy. In total, therefore, an extra 10,000 to 20,000 people could gain employment through farmgate price protection.

There are difficulties in calculating the exact amount of income that would be generated by creating an additional 20,000 jobs in Northern Ireland. The economic impact will depend on the hours worked and the rate paid. If, for example, many of the jobs were taken by young adults, the pay rate is likely to be less. Specifically, the minimum wage for a young apprentice is just £3.30 per hour; it is £3.87 for a worked under 18; it is £5.30 for an adult between 18 and 20; and is £6.70 from age 21. If we assume a mix of ages and an average of 30 hours worked per week (to allow for some positions to be part time), we have 20,000, times £5 an hour, times 30 hours, times 52 weeks a year. That would potentially generate £15.6m a year into the Northern Ireland economy.

In addition, that would generate income tax and VAT revenues for the UK government. It would also reduce the cost of unemployment-related benefits and potentially also the cost of benefit top-ups to be met by the Northern Ireland government.

A study conducted for the Federation of Small Businesses by the CEBR, calculated that if higher taxes led to a loss of 57,000 jobs in small firms, the fiscal impact on government would be about £900m per year.[xlvii] Reversing that equation, we can conclude that creating around 5,000 jobs would generate something approaching £90m a year in terms of higher tax and national revenues and reduced payments for unemployment related benefits. Assuming the generation of 20,000 jobs in total from the protection of farmgate prices, the fiscal impact could therefore be expected to be around £300m per year.

A study by Oxford Economics on the hospitality sector[xlviii] reported that it is responsible for 2.44 million jobs in the UK, producing a fiscal impact of £34bn – or just under £14,000 per job. Using that calculation, the fiscal impact of 20,000 jobs would be in the region of £280m per year. The similarity of the two sets of figures can give confidence in the calculations.

The creation of such a large number of additional jobs would have a variety of knock-on effects. It would create additional spend in the retail sector and thereby protect shops and jobs in rural communities. Other local facilities such as pubs are more likely to stay open. The overall impact is likely to be an important stimulus to local rural economies.

There are various other potential positive benefits. Northern Ireland's banks have loaned substantial sums to farmers, with many of those loans in jeopardy. Profitable farming businesses are in a much stronger position to repay loans and thereby improve the financial situation of banks operating in Northern Ireland. Trade creditors to farmers – including vets, feed suppliers and equipment providers, some of which will be farmer-owned co-operatives – will benefit from faster payment of debts and the settlement of some debts that are currently distressed.

We can also anticipate a variety of changes to farming practices, which will be good for the countryside and rural communities. It would be likely to lead to a reduction in available conacre as owners decide farming is now a profitable option and farm it themselves. Farmers would be in a better position to invest in their farms: they could invest in new technology; cutting and spraying would become optimised; lime would be applied; hedges would be brought under control and fences mended and replaced; drainage would be carried out.

How would legislation on NI farm gate prices work?

The Livestock and Meat Commission recently engaged McKinsey's International Consultants to calculate the cost of production for beef and lamb production in Northern Ireland, allowing for a margin for reinvestment. McKinsey obtained relevant information from the top 10% of farmers across NI. Sources were independent of processors and retailers and the report was free of influence from the farming sector. A similar approach could be adopted across agricultural production.[xlix]

These proposals are in lines with those submitted by Fairness for Farmers in Europe as a stakeholder to the 2010/11 CAP review. This would be the basis for Northern Ireland legislation requiring farmers to be paid a minimum of the cost of production, plus a margin that was inflation linked, to allow for investment.

Roosevelt's New Deal

The Great Depression hit American farmers and farm workers severely, with crop prices collapsing. The initial measures adopted by Roosevelt's New Deal focused more on banking than on agriculture. But in 1933 Congress passed the Agricultural Adjustment Act (AAA) to provide economic relief to farmers. Subsequently, farmers' incomes rose by more than half. Further legislation refined support measures, to create more stable and sustainable incomes for farmers.[l] The New Deal experience has been one of the inspirations of the campaign by FFA and NIAPA.

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[xviii] Statement by Ulster Farmers' Union, August 2015.
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[l] https://web.stanford.edu/class/e297c/poverty_prejudice/soc_sec/hgreat.htm

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