



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Agri-Food Strategy Board

4 October 2012

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mr Gordon Dunne
Mr Paul Frew
Mr Alban Maginness
Ms Maeve McLaughlin
Mr Stephen Moutray
Mr Robin Newton
Mrs Sandra Overend
Ms Sue Ramsey

Witnesses:

Mr Tony O'Neill	Agri-Food Strategy Board
Mr Keith Morrison	Department of Agriculture and Rural Development
Mr Graeme Hutchinson	Department of Enterprise, Trade and Investment

The Chairperson: Briefing the Committee today is Tony O'Neill, chair of the Agri-Food Strategy Board. As usual, you are very welcome, Tony, and it is good to see you. With him are Graeme Hutchinson, head of economic policy at the Department of Enterprise, Trade and Investment (DETI); and Keith Morrison, director of food, farm and rural policy at the Department of Agriculture and Rural Development (DARD). It is good to see you, Keith. I met you before in a previous capacity when we were working on the rural paper.

Mr Keith Morrison (Department of Agriculture and Rural Development): That is right.

The Chairperson: Thank you for joining us today. Agrifood is very important to those of us who represent the bigger rural constituencies, which have experienced the expansion of the sector, as it is to the wider local economy. Tony, are you fronting today's session?

Mr Tony O'Neill (Agri-Food Strategy Board): I am.

The Chairperson: The floor is yours. You are well practised in this by now. It is the usual format: after your presentation, there will be queries and questions from members.

Mr T O'Neill: Chair, this is a new experience for me. I am learning as I fly.

Thank you for the opportunity to address the Committee. You commented on the importance of the agrifood sector in Northern Ireland. In recent times, we have had more recognition than we had in the past. People now appreciate the scale and importance of the agrifood sector in Northern Ireland. Over recent years, the sector has continued to grow in what has been a very difficult environment for most parts of the economy. I believe that there are still significant opportunities to continue to grow and to accelerate that growth. External sales from Northern Ireland are in excess of 70% of our turnover, and we generate approximately £1 billion of added value to the Northern Ireland economy, so we are a key sector. As the Chair said, the industry is unique in that it is spread all over Northern Ireland. In every county, we are involved in farming and processing activities of all kinds. Unlike many sectors of the economy, our work is not concentrated in cities or city centres. We directly support about 23,000 jobs in the generation of food. In the service sector and in the supporting activities that surround our industry, we generate something like 2:1 additional jobs. Representing about 60,000 jobs makes us a significant part of today's economy.

You are aware that, to maximise opportunities in the sector, the Minister of Agriculture and Rural Development and the Minister of Enterprise, Trade and Investment jointly put together the Agri-Food Strategy Board. That seems like 100 years ago, but it was only a few months. I chair the board, supported by eight captains of industry and four members of the two Departments, two of whom are with me today. So we have very senior, high-level people on the team. We have been tasked with driving through the Agri-Food Strategy Board agenda, which, for the first time, is in the Programme for Government as a top priority.

Both Ministers have repeatedly stated that the initiative must be industry led and owned, and we are totally on board with that. Clearly, however, any strategy that we put together has to be supported by the Executive and the Departments. In many instances, we will call on both Departments to make brave decisions to move the project forward.

The strategy is not a panacea; we are trying to tailor it to each sector. We work in nine sub-sectors across agrifood, including poultry, pigs, red meat, milk and horticulture, and are trying to generate a strategy for each. That means that different elements will be applicable to each grouping. Equally, we are very aware that certain elements are common to all sectors, and I do not need to tell you that, for example, environmental impact, planning and financial availability affect all of them. So we have specific activities in each individual sector, but we also have overarching activities that apply across all sectors in Northern Ireland.

We had our first meeting in June, and we will have our sixth meeting tomorrow. I do not intend to labour you with the detail of what we do in those meetings, but a range of issues are discussed and emerge, from the capability of people and processes to research and development and the attractiveness of the sector to people seeking employment, and so on. We are aware that we suffered from an image problem. In my experience, it was not unusual to say to young people that, if they failed at everything else, they could go into the food sector. It was almost a threat.

Ms S Ramsey: Gee, thanks. I trained as a chef, so that makes me feel good. *[Laughter.]*

Mr Dunne: Could you have stayed as a chef?

Ms S Ramsey: I came from the frying pan into the fire.

Mr T O'Neill: We believe in multitasking. The food sector is a very stable industry — you might say that I would say that — with a huge range of people requirements. We have careers in every possible activity that you might care to mention, whether in accountancy, IT, marketing, sales or production management. Yet, when you talk about working in the food sector, there is an image of someone in a cold factory, wearing a white coat and wellies. My point is that it is not as simple as that. We have careers for everybody, and we have careers for the long term. The sector is a long-term player that is anchored in the community. We are linked inextricably to farming, which means that we are part of the longer process. Working in the sector is not as simple as, for example, packing up a computer, putting it on a plane and going somewhere else, which you can do in some industries. The second misconception that we are aware of and are trying to address is that it is a low-paid industry. Average wages in agrifood are, in fact, above the normal average for manufacturing in Northern Ireland. A lot of effort is going into trying to reposition our image to improve recruitment for the long term because, frankly, we need to get the best possible people to work in the agrifood sector.

The board and I are very committed to developing an action-based plan for the development of the industry. We are not particularly interested in generating a report to put in a bookcase. Lots of those have been produced in the past, and our objective is to produce an action-based plan that specifically moves our industry forward over the next few years. As I said, we will identify things that we will call on the industry to do, but, equally, we will call on specific action from the Departments and the Executive across the board. We are out in the community, listening to people. Some time ago, we issued a call for evidence to give people the opportunity to input their views and talk to us. You guys will appreciate that it is impossible to talk to everyone who wants to talk to you, so we have to try to apply some kind of filter. We asked people to submit their views in writing. To date, we have received about 40 substantive submissions to the board, and we are analysing those to assess how they affect our proposed strategy.

There are about 60 people in the nine sub-sectors, so a significant resource is being deployed in the activity across the board. I speak for myself and the board when I say that we would be very pleased to hear any views or comments from the Committee on any element of the sector or the strategy. We would also be very happy to host a visit from the Committee so that members can see what is happening on the ground, whether in farming, processing or right through into the supply chain. If there is any interest in that, we would be very pleased to facilitate it. As with many things, seeing something in action crystallises what cannot be committed to paper.

We are pushing a fairly aggressive timetable, and we intend to produce our draft report in November. We hope to finalise it by the end of this year, and that is targeted to influence the shape of budgeting in the coming financial year. That is the kind of timescale that we expect to achieve, and we are pretty confident that we can do so. I am very happy to answer questions.

The Chairperson: Thank you. You have the huge, challenging and very responsible task of developing a key sector of our economy. What resource or support do you receive from the two Departments to help you with that?

Mr T O'Neill: We have a full-time secretariat seconded from DARD and DETI. Currently, a team of five people is dedicated to us, and, not to put too fine a point on it, Graeme tells me that, if I need more people, he will get them. In one form or another, agrifood, or the food sector in general, has been looked at three or four times in the past 10 or 15 years. This is the fourth time, and the spirit that we are now seeing from both Departments is completely different from what we saw in the past. The two Ministers are giving us really positive support, and the Departments are certainly putting resources behind us. We have a better chance than we ever had before of making this work.

The Chairperson: Good.

Mr Flanagan: Thank you, gentlemen. You are very welcome, and it is good to hear that such good support and forward thinking is being provided to the agrifood sector.

First, I want to address the concerns that have been raised by the farming community. I am a representative of a rural community, and it is often said to me that the farming community feels that it is not getting the same attention as the processing sector. Is the strategy board trying to take that on board and look at it?

Mr T O'Neill: As you know, a number of the board members are from a farming background. John Thompson is a former president of the Ulster Farmers' Union (UFU), Ian Marshall is its current deputy president, and each of the groups has farming representation. We tried to pick people on the basis of ability, rather than simply having representation from different groups. Even with that, we have very strong representation from the farming community. Clearly, this project involves work on the supply chain, so we have to integrate our thinking from the farm right through to processing. It simply is not possible to develop a strategy that looks only at processing without looking at farming. Frankly, it is a challenge because, without getting into specifics, the farming representation would like to use this as a vehicle to launch a challenge to commercial terms, which is not our remit. We are not in position to, and we cannot and will not, enter into a discussion about pricing or anything of that nature. First, it is not in our remit, and, secondly, it is anticompetitive. However, the board is considering how to address the concerns that farmers are bringing forward.

Mr Flanagan: It is good to hear that. One of the main problems that we hear about from individual sectors is that of protectionism on both sides of the border. Recently, I saw some correspondence between the National Dairy Council and the Dairy Council in the North, and I am aware of the

sometimes disjointed and competitive approach that those organisations take. Is the Agri-Food Strategy Board trying to address that and bring those organisations closer together in order to prevent them from taking anticompetitive and disjointed measures that would damage the sector across the island?

Mr T O'Neill: We certainly are. We are engaging directly with the different bodies in the South to see how we can work together. I have had meetings with Bord Bia, various elements of the Irish Farmers' Association (IFA), InterTradelreland, and so on, to see how we can work together. There is a willingness to do so. I think that we all recognise that, the closer to home, the more difficult that can be: direct competition at home can be more difficult than competition that is an intercontinental flight away. The challenge is there for us, we are working on it, and I hope that we can make progress.

Mr Flanagan: Is the strategy in the North cross-referenced with the strategy in the South, Food Harvest 2020? Also, what sort of contact has there been with industry representatives in the rest of Ireland to discuss how the strategy can work on an all-island basis?

Mr T O'Neill: Food Harvest 2020 has been in existence for a few years. A tremendous amount of relevant and recent work has been done, and we have picked that up and assessed how much of it is relevant to us. Representatives of Food Harvest 2020 have come up to brief the board so that we have as much insight into that as we can. We are trying to capitalise on the work that they have done. We have also looked at strategies in Scotland and as far away as New Zealand. If you are particularly interested, you can take away some information that we have with us today from the New Zealand Government, who have just published their agrifood strategy, which addresses the same concerns as we have. This is on the agenda for many countries at the moment, and we are trying to pick the best from other strategies and fast-track them here for our benefit.

Mr Flanagan: If good work is being done elsewhere, no matter where, there is no point in trying always to reinvent the wheel.

Mr T O'Neill: Absolutely.

Mr Frew: Thank you, Tony, and I am sorry that I missed the start of your presentation. You will know of the other hat that I wear as Chairman of the Agriculture Committee.

Mr T O'Neill: You have heard my story before, so I do not want the same questions as last time.

Mr Frew: I have.

There is a deep concern that the farming community is going through a crisis, which could well stifle any growth in the agrifood sector. It is all to do with the producer/processor/retailer supply chain, which you mentioned. There is a fear that, unless all three parts of the chain make profit and gain some benefit, it will not work. There seems to be a lot of pressure on producers and farmers. That is the result of global issues, such as the price of soya and meal, but there is a differential between prices here and in mainland UK. I know that it may not necessarily be in your remit, but does that concern the strategy board? You are all experts in your sectors, so could you engage with departmental officials and both Ministers to advise them on ways to relieve the pressure on producers in the short term and devise a long-term strategy, which may come from the report, to make the system work better?

I know that it is all about competition, personal deals and business, so not every producer will have the same deal. However, the problem is that farmers do not know whether prices will dip or go up slightly, and producers do not know what the prices will be from one month to the next. Is there some way that we can take the pressure off to alleviate that concern and make the system not only more productive but more consistent? I accept that many of the issues are global, but does that problem vex the members of the strategy board? Is there some way that you could engage with departmental officials and the Ministers to try to relieve the problem in the short term?

Mr T O'Neill: That is what you call a hot topic, and, in a way, I addressed it a short time ago. That topic is always on the table, but it is not our remit, nor can it be, to enter into any commercial discussion, which is what it could end up being. However, we are challenging a lot of the models. You will all know that the poultry sector is virtually integrated and so our farmers are practically immune to the spikes in commodities that drive the industry. Each of the subgroups is having

conversations and looking at the various models to see whether there are different or better ways of doing things. Discussions about changing the fundamental model are active in each of the groups, and we will have to wait and see whether we can reach a conclusion. Whether on the supply arrangements for dairy, red meat or pig meat, those conversations are taking place. I do not know whether we will get an outcome, but we recognise the issue. The challenge is on the table, and we have very heavy debates about it. Every time we get processors and farmers in a room, it is the first thing we have to talk about, and we do that for the first 20 minutes of every session. Each sector is reviewing whether the current model is the right one.

Poultry is successful because we drive the volume. If a poultry farmer does not get more for his bird, he gets more birds, so that his income is enough to be sustainable in the big picture. I do not wish to prejudge the outcome of the discussions but, fundamentally, that challenge has to be applied to all the other sectors. I do not know whether we can address that issue in red meat for instance, but, in very simple terms, it is unlikely that you could make all farmers economically viable without changing certain fundamentals. We are conscious of that debate and are putting a lot of effort into it. I hope that we will have some success.

Mr Frew: You mentioned previous attempts at forming a strategy. We could talk all day about the reports that have been published: report after report after report. Now we have the agrifood strategy board, with all the sectors involved, and all your subgroups and subcommittees. Let us take pork, for instance. Just recently, the Cogent report was published. Is it the case that a subgroup will basically lift that report and insert it into an overall picture? I am not saying that that is a bad thing, but is that what we are talking about? Is it a case of looking at what happened before, seeing what it is like and, if it is still suitable, simply inserting it into the overall picture?

Mr T O'Neill: In broad terms, you are right. The remit for each of the groups is dead simple: to review the available information. Clearly, where the information is right up to date, you have an advantage. Some of the information is several years out of date, so there is a need to revise that. The next step is to tackle how it is implemented because, fundamentally, that is all we are interested in. We have to provide a document that gives you a framework, but our main objective is to put actions on the table, rather than writing a story about what might happen. Our clear objective is to have a schedule of actions: we want to be able to say, "Do this, this and then this", and the results will flow from that.

Mr Graeme Hutchinson (Department of Enterprise, Trade and Investment): Economic strategies have been two a penny over the past 10 or 15 years, but the one that the Executive published earlier this year had an emphasis on implementation and action. That is the point that Tony made: although this is, ostensibly, looking at another agrifood strategy document, the emphasis is on what can be implemented through its having a clear outline of what are the near-term implementation issues and then the medium- to longer-term ones.

Mr Frew: That is a good point. This is my final question, Chair: is the board able to look at all sectors and identify the model that will bring the best possible outcome, no matter what the consequences? Or is it the case that the board knows what the best model is but, because it is not politically possible to use it, there will just have to be some pain for certain sectors? Do you have a free role? Can you say which is the best model and that it is up to the politicians whether they implement it, or do you factor in what could be politically possible?

Mr T O'Neill: I am not normally regarded as politically friendly, so my view, frankly, is that I will be putting my ask on the table, and the decisions will then be made by others.

Mrs Overend: You are very welcome, and it is good to see you here. As you know, agrifood is a passion of mine as well. Coming from good farming stock, I have always been one to try to promote a positive perception of farming and the agrifood sector. I read your papers with interest. The aim is to increase exports, so how will you identify priorities within the nine sectoral subgroups that you mentioned? Are you identifying markets, or the countries that you want to target, for each group individually? If so, how?

Mr T O'Neill: Each subgroup has been asked to do that. In broad terms, we have said that we want to grow by X%, and they have been tasked with seeing how that can be put in place, right through from growing the animals to processing the animals to where to sell them. Each of the groups has different views on its target markets. That is an inherent part of this whole area. In some cases, China is an obvious target for certain sectors. Part of our activity will be to determine what we need to facilitate entry into China, whether that is obtaining, first, the licensing applicable to some of our sectors, then

marketing support and through to support for companies that want to go out and develop activities there. It is at that level of detail. Rather than a strategy saying that we want to grow by x, y and z, we are saying that we want to go to China, and to do that we have to do x, y and z. Those are the actions that have to be delivered by different people. The whole agenda is to try to put down specific actions and identify who has to deliver them so that we know that there is accountability as well.

Mrs Overend: Will you work with the likes of the Confucius Institute with regard to China?

Mr T O'Neill: Absolutely. From the point of view of Moy Park, we have been working with the Confucius Institute for some time. We were surprised at the access that it can give us to China. I have been out to China and met very senior people right at the top of major corporations within a matter of days through the Confucius Institute. We should not underestimate that. In turn, our collective bodies are helping and supporting it in setting up its cultural training centres around the Province. It is a win-win situation for both parties. Obviously, it is interested in delivering its message to us, but, equally, it is opening doors for us back home, as they say. That has been very effective.

Mrs Overend: It just shows. Having personal experience of the Chinese market, it is about getting to know how they do business. They seem to value the family businesses and things like that that we have over here. It is about getting into their mindset and being able to plug into that.

Mr T O'Neill: They are very relationship-driven. I do not know whether you would describe it as being friends, but you have to build friendship before you do business. I have been dealing with China on and off for a long time — I do not like to count the years; I suddenly realised that my children are older than I am — but in the past it was difficult to deal with China because of logistics. However, with the development they have had in building major cities, you do not need to worry about logistics. If you service a city, it is half the size of the UK. It is simply incredible. Their population growth is 120 million people a year, so natural demand is unbelievable. You just cannot envisage the opportunities in China.

The night before last, I had dinner with the Irish Ambassador to China and various others, again to explore how we could work in China together. When I talk to people in China, they say that the Irish — whichever form of Irish you want to talk about round the table — have been going out to China twice a year for the past six or seven years and building relations. Scotland has been sending people out to China twice a year for the past three years. Northern Ireland has not appeared yet. So, it is absolutely vital that we collectively start to build a relationship with China and it has to be regular and at the highest level. Clearly, that is key for the First Minister and deputy First Minister going there in a few weeks' time. On top of that, however, we have to build regular visits to China at all levels of the Executive, because it is absolutely critical to work with them.

Mrs Overend: On that point, I have heard that the Chinese like to develop the relationship with the head of the state, as in they work closely with London rather than the regional sectors. Is that the case? I am hearing that they are reluctant to work directly with the regions. Is that just a relationship that we have to develop?

Mr T O'Neill: We are a little bit unique.

Mrs Overend: We always think that.

Mr T O'Neill: Well, we are unique. But you are right, they are very hierarchical. To be honest, you need to go out with the proper title to speak to the proper people, because, otherwise, you just do not get through the system. However, they clearly have an empathy with the island of Ireland, North and South, and we have to find a way to build on that. Every time they have any shade of disagreement with London, it hits us. We have to find a way to separate those two things.

I go back to personal experience. We are working on licensing to China, and that takes four or five years. Incredible. David Cameron had dinner with the Dali Lama, and they put it on hold; it will take another year. We need to be aware of the sensitivities of London versus ours and find ways to work around that. However, they do like us. It is incredible. If you have any way of inventing Titanic whiskey and shipping it out in huge containers, that is all they want to talk about. When I am out selling chicken, they want to buy whiskey.

The Chairperson: You have not branded a Titanic chicken yet, Tony. *[Laughter.]*

Mr A Maginness: He is working on it.

Mr T O'Neill: I was thinking of it. Maybe with a little bit of whiskey on the chicken. There are certain things that they are hugely impressed by. They recognise Titanic. It is funny, but there are brands that they are very familiar with. Titanic is one and 'Riverdance' another. Everybody knows about and has seen 'Riverdance'. All the senior politicians have been to 'Riverdance'; in fact, they insist on going to 'Riverdance'. Culture and family are very important to them. I do not know why, but they genuinely do appear to have empathy with us.

Mrs Overend: I am sorry for taking up all the time talking about China.

The Chairperson: No, that was very interesting. It led on to valuable thoughts for the rest of us.

Mr T O'Neill: The last Committee that I went to asked me about parks and I had no view on the park.

The Chairperson: About what?

Mr T O'Neill: National parks. I was ambushed —

The Chairperson: Oh, right. Neither have I. *[Laughter.]*

Mrs Overend: Just park that one.

Ms S Ramsey: Just on that, can I ask him a question? *[Laughter.]*

Mr Newton: Thank you, Mr O'Neill, for coming along. I appreciated the value of the industry as a whole; I did not appreciate its sub-sectors and composition, so that was useful to me. With the Chair's permission, I want to ask about three areas that you touched on, including image and recruitment of the best-quality people. I spent most of my working life in the textiles industry, which had a poor image. I found it difficult to attract quality people. That industry is no longer here. I also understand that you work within small margins, yet, unless I missed it, I see no questions in the survey about innovation or research and development.

Mr T O'Neill: It comes up in every room.

Mr Newton: All right. I do not see anything about those in the survey. My third question is about energy costs. I imagine you are a fairly high energy user. I suspect that a choice of energy supply is not available to you in most of your plants here. Maybe that is part of the survey, but it does not specifically ask about energy costs. So, my questions are about image, recruitment of the best possible people, higher added value, research and development and energy costs.

Mr T O'Neill: We talked before about image. I am also on a future skills action group for the agrifood sector. As part of that, we have been working with the Department for Employment and Learning (DEL) and miscellaneous other bodies from all Departments on how we get the right skills in Northern Ireland. Part of that is about image building. We have a programme running on that. We have agreement with the College of Agriculture, Food and Rural Enterprise (CAFRE) and the universities to put specific courses in place over the next three years to fill gaps that we see in the sector today.

We have also put a lot of effort into PR of the agrifood industry. That has been remarkably successful in that the colleges are all oversubscribed this year for the first time ever. A few years ago, there were two or three people doing degrees in related disciplines. Today, CAFRE cannot accommodate all the people who are applying to it. In fact, it is one of the things that we are encouraging to build that capability. Therefore, there is a changing perception. We are realistic enough to accept that part of that is because we have been growing while other industries have been shrinking and retracting, but we have an opportunity now to build that image and continue to push it forward, and we are continuing to do that.

Research and development and innovation are core parts of all the added-value activities that we are doing, and it is active in every one of the subgroups, including our own poultry industry. In Moy Park, for instance, we have set up an innovation department in the past year. We have recruited people into

that, and it is under my jurisdiction. We are putting a lot of money into innovating for the future and adding value. That is stimulating conversation with the other subgroups as well. Therefore, that is a very pertinent part of the project.

In respect of energy use, I am beginning to think that I spend all my life on lobbying groups of some kind or another, but the large users have come together, and we have been making Minister Foster's life a misery to sort out gas supply to the west. We have agreement in principle that they are going to do that, and we have been working with the Utility Regulator to try to make that process happen as quickly as possible.

If we take the cluster of food companies around Craigavon, Dungannon and Cookstown, energy to that group today is worth £12 million, so it is a huge cost to our operations. As far as we are concerned, to award gas to the west is a key thing that we need to accelerate as much as possible. It is probably the single easiest thing on our agenda. We have issues with the price of gas and electricity and all those other things, but that is the single easy project that the Executive can bring forward that will help our industry.

Mr Hutchinson: It is worth stressing that, as part of the strategy board, there is a cross-cutting group that deals with research and development and innovation issues and energy costs. You may not have seen that in the documentation. It is very much sector driven with beef, sheep and milk products, etc, but it is cross-cutting.

Mr T O'Neill: We are doing it effectively in phases. The start of the project was to do with the subsectors and to drive out of the subsectors issues that were considered to be cross-cutting. We have now collected those cross-cutting issues, and we are doing those now. There are about 15 subsectors, which include climate issues, environment issues, energy, innovation and things like that, which apply to all sectors.

Mr A Maginness: Welcome, gentlemen. I admire your robustness in relation to the politics of this, and I wish you well.

Mr T O'Neill: We have never been known to be hesitant about asking.

Mr A Maginness: Yes, and long may that continue. I welcome this initiative. It is important that both Ministers have agreed to this strategy building process. I think it could be very productive. I just wonder whether you are trying to accomplish too much. You have quite a number of subsectors. In a sense, it could be stretching your project too far. Would you like to comment on that?

Mr T O'Neill: I think I dodged Mrs Overend's question earlier. We have to be pragmatic about where we get quick wins. It is a question of how we implement those, but it is my expectation that we will prioritise areas where the big wins are.

That is not to say that we can or should ignore the smaller sectors. We have to give them airtime and encouragement, and we will do so. However, we will be clearly saying that you should push the big levers first, because that is what you need to do in order to drive success. That means that we will probably be looking at different timescales for different things, but we will prioritise those things that we think are critical today and put back other things because we do not have the capability to do everything at the same time.

Mr A Maginness: That is an interesting answer, and I wish you well on that.

You are approaching this on a regional basis, and that is your remit. Given the success in the South in other export markets, are there any opportunities here for co-operation with our Southern counterparts? Agrifood is expanding in the South, as it is here, and there is a tremendous emphasis by the Southern Government on agrifood. What can be done there, or are you simply competitors?

Mr T O'Neill: We are competitors close to home; we are not far away. That is a fact, and we are, as I said before, meeting them and talking to them about how we can work together. Frankly, farming one hundred miles south is the same as farming here, and lots of the issues are the same. They have done a lot of the research, so we are capitalising on that.

The two key elements of any strategy are the ability to fund it and to find a market for your products. The ability to fund it will be a big challenge for the Executive, and we will clearly be putting challenges on the table. Equally, the sources of available funding in Europe are enhanced by co-operation between two states, and we are exploring how we can access those funds as part of this project. I have big brains beside me who know how these systems work. *[Laughter.]* We are looking at those things. Let us look again at marketing; we were talking about marketing in China. As two states, we can get more overseas marketing support from European funding if we go together. I am talking about huge moneys. As individual states we would find it difficult to fund some of these things, but as collaborative partners we will find lots of opportunities.

That is not to say that there are not lots of challenges as well. We have difficulties bringing processes and farmers together in Northern Ireland, and we have another two sets of them in the South of Ireland, and we have competition going into it. I am not saying that it is easy, but I am saying that there are some relatively easy areas of co-operation that, frankly, are no-brainers.

Mr A Maginness: I have one final question. You have very nicely brought us to the European context, and the co-operation there. However, European Union state aid rules are being changed, and we have not seen the final outworking of those changes. Do you have any comments to make about state aid rules? Is there anything that we need to retain as far as that is concerned?

Mr T O'Neill: We have a financial group that is looking at lots of things of that nature, both local and European. I think that the European rules need to be challenged. I am talking about simple things such as the selective financial assistance and so on. The changes that are being implemented now were invented at a time when the economy was different.

Mr A Maginness: Absolutely, yes.

Mr T O'Neill: The world has changed, and we need to go back to square one and say that some of the proposals are not good for anyone. They need to be challenged at the highest level.

Mr Hutchinson: That is precisely what the Minister of Enterprise, Trade and Investment is doing at the highest level.

Mr A Maginness: The Executive as a whole should support that.

Mr Hutchinson: The Executive's response to the Department for Business, Innovation and Skills (BIS) consultation in June reflects the material importance of selective financial assistance across all sectors, but especially agrifood.

Mr A Maginness: The Department for Business, Innovation and Skills has already indicated that the automatic grant of state aid across Northern Ireland will go.

Mr Hutchinson: The legislation said that it would go automatically in Northern Ireland. There was no debate or discussion about whether it should have 100% or not. It was not a debate. The issue now is whether we can still secure 100% even though we do not have legislative cover. That is the first issue on which Minister Foster is working hard with BIS and the European Commission. Subsequent to that, what would be the best outcome?

These are issues, as you rightly said, which were framed at a time when economies across Europe were in much better position. Selective financial assistance is our primary grant assistance for employment support, which is critical, even more so now than it has been for the past five to 10 years.

The Chairperson: I want to pick up on that theme. As a practitioner, Tony will know that many firms on this side or the other side of the border own big operations, particularly in the dairy sector. Recently, representatives of my party met Simon Coveney. The EU presidency is coming to Dublin, and Simon Coveney is a good, well-briefed and knowledgeable Minister who is going to be at the heart of all that. Without putting this too much into the frame, my party will be working very closely with the Irish Government on those issues that reflect the various sectors in the North.

That brings us on to issues around common agricultural policy (CAP) reform, which you touched on earlier. In your call for evidence paper, you note that the European Commission's proposals for CAP reform:

"included a move towards flat rate payments at a regional level by 2019."

At paragraph 2.10 in your paper you refer to the possibility that there could be a delay in the CAP reform agreement and the potential that that:

"could equate to a reduction of around 15% once inflation is taken into account."

Clearly, those are pretty big issues if you are talking about that scale of a reduction and its consequences. It would be important that key issues such as that for both DARD and DETI, which are going to be at the core of the development of an agrifood strategy, and more importantly, its growth and sustainability, as was pointed out by Mr Frew, should be highlighted to the Committee.

It will be important to open up those new markets, with the positive support that we can get from Europe, and where, through the EU presidency, we will have a Government at the heart of Europe in that type of shared economy with a high level of development of the agrifood sector at its core. Minister Coveney said that that was a key factor for the Dublin Government as well.

There are a lot of themes there that we should and could be working through, but the Committee would want to hear what those priorities for funding are. These are what we are starting to tease out at the moment. Could that be done by both Departments? Would you want to feed into that yourself, Tony, as chair of the strategy board?

Mr T O'Neill: That is a key consideration. Clearly, we have been operating under an umbrella. As you say, Minister Coveney is very knowledgeable in this area. We fully expect that he will have his wish list. To be blunt, we need to make sure that, if he achieves his wish list, it applies to both sides of the border.

He is ahead of us, and we should not underestimate that. They have been working on this issue very aggressively for some time. He has a very well developed plan, and I want him to achieve it, but I simply want him to say that it includes Tony and his boys as well.

The Chairperson: That is right. A lot of farmers, in particular, are tied into this, but, at the end of the day, it is good if it benefits everybody.

Mr T O'Neill: Their target is to secure 2% funding from an £80 billion pot. So, they have defined targets that they are trying to achieve. If we had the same success under these programmes, we would have a significant injection in resource that would accelerate our programme. With the best will in the world, any programme that we put together will be constrained by the system and funding availability. If they are successful, they will have significant resources available to them to hit their programme ahead of our timetable, which will be a problem for us. If they are successful before we are, then, frankly, they are taking our cake. We have to be beside them or ahead of them.

Mr Morrison: We recognise the challenges of CAP reform and the particular challenges for Northern Ireland, depending on how this turns out. My Minister is very engaged in that, recognises the opportunity of working with Simon Coveney and has had many meetings with him on the opportunity that their presidency will bring for us to collectively. We can find a mechanism to keep this Committee informed on CAP reform, as we have with the Committee for Agriculture and Rural Development.

The Chairperson: Within that CAP reform, there are potentials and opportunities, funding streams and all of those things. Those are all very important, particularly at this juncture.

The Committee Clerk: In the interests of speeding the process up, I suggest that a single response comes through from DETI on behalf of both Departments. The Agriculture and Rural Development Committee could be copied in on that.

The Chairperson: Can that be done? It does not matter, as long as we get a detailed response. Whatever way you guys decide to sort it out among yourselves is up to you.

Mr Dunne: I thank the members of the panel for coming along. We all recognise the importance of the agrifood sector in Northern Ireland, and we appreciate the work that you are doing.

Most issues have been covered. One of your items of concern was planning. As local representatives, we are all aware of planning issues. Are there are still major concerns about planning applications in the system, and is there still a growing need for additional business in the farming community? For example, is it possible for farmers to get a permission for a broiler house, for example, fairly quickly through the system? Is there a demand for such development? If so, is that demand being met? Are there still issues to be addressed?

Mr T O'Neill: I use the general term, "business friendly". We are not as business friendly as we need to be. It is still much easier to do business in England than it is in Northern Ireland. That is a flat statement.

Mr Dunne: Are you talking from a planning point of view?

Mr T O'Neill: A planning and environmental point of view. On poultry houses specifically, I have met the Minister, and we are looking at how to expedite applications for such houses. The whole planning system has not got faster, even though it has less to do.

Mr Dunne: Has it not?

Mr T O'Neill: No, it still takes an inordinate length of time. If you are talking about poultry houses, they are all the same. You just plonk them in different places, so there should not be a discussion about a new one every time. Under the current system, the application appears on someone's desk. Today, that person is dealing with an application for a garage, and tomorrow he will deal with one for a poultry house. We have talked to the Minister and said that there should be someone in the place who is an expert and all the applications should go to his or her desk. That way, they will learn things once and will have the same questions to answer all the time. In our company, we have two architects in Northern Ireland who put the planning applications in. So, they are always the same, are done by people who know what they are talking about and repeat the same process every time. It should not be difficult, but it is.

Mr Dunne: Is there a backlog of farmers waiting for applications to be dealt with?

Mr T O'Neill: There are still issues in planning, and, in general across the economy, there are major issues with finance and security. The biggest issue for farmers today is probably finance, because of problems with securing it and the speed of getting it. All of that is slowing things more than planning. That is a transitory situation. Today, our business in England is growing two or three times faster than it is growing in Northern Ireland. We are actively losing business and jobs in Northern Ireland because we are growing faster in England. Our business will continue to grow regardless of what happens, and if it is easier in England and it happens in England, Northern Ireland will lose out. Today, I could employ 100 poultry houses in Northern Ireland. That is a £20 million investment. I could keep my factories busy, but I cannot do it for all those reasons.

The Chairperson: Can you expand further on that, Tony? Why is that? I am sure that there could be a range of reasons. There may be a planning case, and there may be objectors to planning, or maybe access to funding is limited. Is there a constant theme running through that? Why is it much more difficult for your business to expand and be fast-tracked in the North compared with England?

Mr T O'Neill: Finance is more difficult here. If we take the example of poultry, I can speak with more authority. In our business, farmers are contracted to us. They have no risk unless we go bust. Ten years ago, a farmer could have got finance from the bank because he had a Moy Park contract in his hand that said that we would buy his chickens for the next 20 years. That was security. Today, the bank wants the deeds of the farmer's house or his farm, or it wants eight acres. So, the banking world has changed; it has moved from being very liberal to a silly situation where, frankly, banks talk about lending money but they will not do it.

The Chairperson: Like me, I am sure that everyone in the room has heard these stories about banking. We have banks that are principally the same as those in England; the likes of RBS and Ulster Bank. We will have them before us next week. Why should they be more efficient to deal with in England than here? I do not single out those two banks for particular attention. Why should that be? What is your experience of that?

Mr T O'Neill: Again, I speak from our own experience. We tend to have different models in Northern Ireland because we have smaller, family farms. In Northern Ireland, you generally have smaller units, and they are treated differently. In England, farms tend to be treated like businesses; in Northern Ireland, farmers are treated as hobby farmers. A typical farm in Northern Ireland has two poultry houses, whereas a farm in England may have 12 poultry houses. It is a big business, and they get treated accordingly. So there are issues of finance, planning and control. It is just simply speed to execute.

The Chairperson: I am sorry, Gordon, I cut across you.

Mr Dunne: You are all right, Chair. I have a couple of other things I want to ask about.

The Chairperson: Can I just make one point on that? I do not single those banks out for particular attention; it is just that they are coming before us next week. It is important that we flag that up, certainly to Ulster Bank next week. Thank you very much for pointing us in that direction.

Mr Dunne: No problem. I have a few other things I want to ask about. Huge supermarkets have come into Northern Ireland and taken a lot of the retail business. Are you getting a fair share of your produce into the supply chain through those major supermarkets, or are you finding it difficult? We are aware of the various initiatives. The big players try to highlight them and convince us that a lot of local produce is in there. Are you convinced that you are getting a fair share?

Mr T O'Neill: Do you mean of the supply or of the margin? *[Laughter.]*

Mr Dunne: From what we heard earlier, it seems that we have already got the answer on the margin.

Mr T O'Neill: Remember that over 70% of our business is exported, mainly into the large retail chains in the UK. That is where the easy development is. There is a gap opening up. World food prices are changing, and there is a significant move to local sourcing of food. There is a dynamic all over the world to have food in local production. We have a very significant market. We are very successful in it, but it is very competitive. That is a difficulty that we have. You are all aware of the spike in commodities at the moment. Grain today is 210% above the 10-year average. It is huge, but it is going only one way. The volatility is the effect. I am sure that you are aware that, for most agrifood businesses to continue to do what they have always done, they need more working capital. The simple fact is that they are feeding their animals the same number of tons of feed but that feed is 30% more expensive than it was last year. They need 30% more money to do nothing. Most banks today are not that accommodating, and people are going bust every day because they cannot secure working capital to keep their business going. That is at all levels, from farmers right through to major companies. We have practical examples of that happening as we speak.

Mr Dunne: Farm shops seem to be doing quite well. In many ways, they are running against the trend. Why is that? I suppose it is quality produce that is home-grown. Are you supportive of that?

Mr T O'Neill: Fresh local.

Mr Dunne: Do you think that more could be done to support farm shops and the concept of farm shops?

Mr T O'Neill: I do not know what more can be done, to be honest. It is relatively small in the scheme of things. Take our reason for living in Northern Ireland, if you like; all of the companies that export to England do it on the basis of "fresh local". That is the drive that we have; it is the unique bit that we sell. It is fresh local produce; it is produced today, shipped tonight and in the store tomorrow. That is where we are growing. More and more consumers want to know where their food comes from. The farm shops are part of that.

Mr Dunne: People will pay relatively more for quality. The perception is that it is fresh produce, and it is something that could be developed further. There is the argument against taking business out of town centres, so there is a balance to be struck.

Mr T O'Neill: In the scheme of things, it is not big enough to damage the town centres or the big retailers. It is a niche area, and it is very successful because of that.

Ms Maeve McLaughlin: Thank you, Tony, for the presentation. My first point has probably been dealt with, but I was particularly interested in the nine sectors and the targets that have been set for each. You mentioned that there is almost a review of each sector. Although they have a target to increase, they have different target markets. I think it is fair to park that for the time being.

I am interested in the economic impact. I think that you mentioned 23,000 jobs across the sector. Do you have a view of the potential of the sector to aid economic recovery? Quite bluntly, has there been an analysis of the number of jobs that the strategy could deliver? I would be very interested to hear that.

Mr T O'Neill: We have analysed the jobs in each sector. I have a very bullish view on employment in the sector. You have probably heard me say that agrifood represents a growth of about 15,000 jobs, and those jobs are directly involved in the production of food as well as in the service industries that go with it. As I said before, if you are on the M1 at night, count the number of fridges that go down it; those come from our factories. Our factories support the logistics companies, the packaging companies and all of the small companies that provide services to us, whether that involves cleaners or maintenance activities. We employ 23,000 people directly. If you multiply that, you can see that we have another 40,000 in the whole supply chain. We are talking about 60,000-odd people directly working in the supply chain today, and I believe that we can increase that by about 15,000 in the next short number of years. If Graeme was shrinking beside me there, it was not because of a lack of confidence but because I keep asking him how to work that out.

Mr Agnew: Apologies for being late, Chair, and apologies, gentlemen, for missing your presentation. I hope that my questions do not lead you to go over things that you have already covered.

I get the sense that there are two very contrasting perceptions of the sector. One is that this is one of our strongest-performing sectors in Northern Ireland, arguably the strongest, with impressive and significant growth. The other is that farmers are struggling and do not seem to be doing well out of it. Is it a difference between growth in sales and growth in profits, or is it a case of who is making the money? The supermarkets were mentioned. Why are we hearing those two conflicting stories?

Mr T O'Neill: It is fair to say that agrifood is a low-margin business. That is clear. We are subject to forces that are not in our control, and food is driven by world prices on commodities. That has a huge impact everywhere, and the retail trade does not recognise those things. So, when there is a swing in commodity costs, it generally hits the farmers immediately, and it takes a significant amount of time for that to work its way through the supply chain. It is generally delayed by a fair period and never fully recovers. It takes a long time to react, whereas, in practical terms, the farmer feels it immediately, and that means that the farmer is in that phase every time there is a spike in commodities.

Mr Agnew: I will come back to the issue of energy. The renewable heat incentive is coming in. Is that something that is being looked at? Does that make renewables more viable for the industry? I am thinking particularly of biomass where, as well as using biomass for your own fuel, you have the potential to create a demand for the product in the industry and give an extra income for farmers. Could they perhaps go down that different road of producing biomass?

Mr T O'Neill: We have not got to the end of that process yet. As we said earlier, we are in two phases. Our initial work involved saying what applies to each of the sectors, and we then have cross-cutting groups, of which energy is one. That is actively being worked on at the moment, and I would be more arrogant than usual if I were to tell you what I think the answer will be. I need to work the democratic process and let people put their voices forward first. I will then find that I agree with them. *[Laughter.]*

Mr Agnew: Or they will find that they agree with you.

Mr T O'Neill: That is not complete yet. It is too early to say.

The Chairperson: Thanks very much for that. You will come back to us with a response. You extended an invite to us to visit some of the facilities and to see the process in action across the agrifood sector. I know that a number of us have already done that. It would be very useful for someone to contact the Committee officials at some stage to set that up. That was very useful and

has given us a few other issues to raise elsewhere, particularly next week with representatives of the banking sector.

Mr T O'Neill: You leave the banks alone; they are nice people. *[Laughter.]*

Mr Flanagan: That is on the record, Tony.

The Chairperson: One on one, yes, but when you deal with the corporate side, it is different.

Mr T O'Neill: All the banks are projecting that they have funding available, and they have; they have just changed the rules to make it more difficult to access. We, as bodies, have met the banks, and they all now have funding allocated to agrifood. However, the question is this: what is the penetration? So a bank may say that it has £50 million for agrifood, we then ask what the take-up is, and it says that it is £20 million. So, why can the bank not sell the rest of it?

The Chairperson: Yes.

Mr T O'Neill: Maybe the Committee can ask that question next week.

The Chairperson: Very good.

Mr Flanagan: Tony mentioned that the banks have changed the rules on lending. Do you think that the rules that they have in place for businesses at the moment are fair, or is it too difficult for businesses to match those criteria?

Mr T O'Neill: I think the banks have moved to the other side of the pendulum. I made the point about poultry housing. You could say that what they are asking for is prudent, but it is unnecessary. They are making it more difficult than they need to for risk-free lending. Without defending the banks, most bank officials are now hyper about making decisions on risk. They only make decisions in committees, whereas in the past, managers made decisions. Now, managers do not make decisions; they go into a committee and talk about it. That process takes time, as well as making it very difficult to get people to make decisions.

Mr Flanagan: Of course, many banks are now publicly owned and that is the way the public sector works.

Mr T O'Neill: One would have thought that someone could then have sent the banks a directive saying, "It is our money; do what we want". It does not seem to work.

Thank you, Chair.

The Chairperson: Thank you again for that. It was good to see you again.