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January 2014

To: Policy and Economics Division,
Department of Agriculture and Rural Development,
Room 361 A, Dundonald House,
Upper Newtownards Road,
BELFAST.
BT4 3SB.

Response to the DARD Consultation on the Policy Options Arising from the Reform of the Common Agricultural Policy (Pillar1 Direct Payments).

1. Ulster Arable Society

These comments are made on behalf of the Members of the Ulster Arable Society which is a membership organisation which brings together people from throughout the arable production, processing and supply industries with a common interest in –

- furthering the competitiveness of the sector;
- fostering knowledge transfer; and
- facilitating the professional development of those working in the sector.

The Society therefore has wide representation from across the arable sector which it has sought to reflect in this response.

2. General Overview.

The UAS Committee wish to commend the Department for the manner in which the Options were presented in the Consultation Document. This is a critically important but very complex subject for the industry to consider and the Document made this possible by explaining, as simply as possible, the various options and the reasons why lines of action are being proposed.

3. Format of this response.

The DARD paper poses a number of specific questions and we have sought to address these in Section 5 of this response. There is however one very important issue for the arable sector which we could not, in our view, adequately address in the questions and so we have addressed this separately in Section 4 below.

4. Establishment of entitlements on Conacre land.

The availability of conacre land is of critical importance to the arable sector and in particular to potato and vegetable producers where access to clean, fresh land is a core requirement of the business. It is also vitally important to many cereal farmers to enable them to achieve ‘economies of scale’. Given that approx. one third of land farmed in NI is in conacre, if that area were to reduce or virtually cease altogether, clearly there would be very serious consequences for all farmers and the NI economy as a whole. Many businesses would cease to be viable or become much more dependent on purely owned land. This would have the knock on effect of seriously affecting production, which would have a further negative effect on many of our processors as supply of raw material would be reduced. It would also have environmental consequences as rotations would be affected which would result in a greater reliance on pesticides to control disease. This would all be contrary to the aims of CAP Reform.

Research by the UAS would indicate that non farming landholders will be very reluctant to forego claiming entitlements for a number of reasons, including –

- I. Knowledge that entitlements will climb rapidly in value in the years ahead.
- II. Belief that this increase in value will not be adequately reflected in commercial rents.
- III. Concern that the absence of entitlements is an indication that they are not “actively farming the land” and so will have implications for Agricultural Property Relief (APR).
- IV. Determination, in view of the very considerable financial implications, to play safe in the interim period to protect their future income and APR situation.

There are strong indications that some landlords are already taking action to farm the land themselves or make other arrangements which will result in withdrawal of the land from the rental market. The requirement to implement ‘greening’ for larger landowners will also act as a disincentive to rent out land for arable production. The easy option for landowners is to simply put all their land in grass. This situation is of great concern to UAS members.

The establishment of entitlements in general also raises the question of who should be allowed to establish entitlements in the first place. The EU Commission clearly wants to see financial support through the Single Farm Payment going to ‘active farmers’ i.e. those who are professionally producing food in an environmentally friendly way and carrying the risk of the business. On page 17 of the consultation paper, the Department clearly states that the EU Commission has repeatedly advised that ‘support payments should go to the person who is actively farming the land’. The UAS strongly supports this approach. We recognise that the Agrifood industry and farmers in particular, have in recent years managed to generate increased support from the general public who appear to accept financial support going to farmers to subsidise the cost of producing food and looking after the environment. This positive support would quickly be lost if a significant amount of financial support were to be taken away from ‘active’ farmers and

given to landowners who were neither producing food nor benefitting the environment. This would clearly be an unacceptable situation and one that would be very difficult, if not impossible, to explain to taxpayers. The UAS believes that DARD will have sufficient discretion in the implementation of the new policy and indeed has a duty to the public, to ensure that through Pillar 1 as much direct financial support as possible remains with the ‘active’ farmer. This would help the Agrifood industry in NI to achieve its full potential and hopefully meet the ambitious aims of the Agrifood Strategy Board report over the coming years.

However, with the current absence of clarity and confidence around the whole ‘active’ farmer issue and concerns that it might not be resolved, our expectation is that much of the rented land currently available will be lost in the immediate future, with potentially catastrophic implications for the whole arable sector. This situation needs to be urgently addressed.

In addition, confusion in relation to APR has been illustrated by varying opinions expressed by professionals speaking at the recent CAFRE “Protect your Assets” meetings. Clarification on this issue is required as a matter of urgency.

5. Consultation Questions.

Unless specifically raised in this section, the Society is in agreement with the various options which the Department proposes to adopt.

Question 8. *Do you agree with the Department’s suggestion to (i) set the minimum area for which the establishment of entitlements can be requested and (ii) the minimum size at 5ha?*

The **Society strongly agrees** that a minimum area should be set and that this should be established at 5 ha. The figures clearly illustrate that such a decision would do much to ensure that more support is focused on active, sustainable farming while reducing the administration cost of implementing the new policy.

Question 9. *Do you agree with the Department's proposal not to use sub-regions in Northern Ireland? If not, please explain why and outline your preferred approach.*

The Society **does not support** the single region approach, but would recommend that the two-region Option (Model 1) be adopted. We make this recommendation for the following reasons –

- I. Model 1 provides the greatest amount of support for the greatest number of farmers in NI and would be simpler to administer than either Models 2 or 3. We accept that this Option is less advantageous to farmers in Cattle and Sheep LFA than the single region option, but their 'special circumstances' are currently recognised through the LFACA payments scheme and the UAS feel that some form of this should continue, but not at the expense of the rest of farmers in NI.
- II. The Single Region Option would be the worst Option for the arable sector of all the options proposed by DARD. The arable sector will need all the support it can get given that it will have to carry the bulk of the new 'greening' requirements and will have to contend with a much more difficult 'conacre' market.
- III. In the interests of value for money, support should be directed to the businesses on more productive farm land.

Question 10. *Do you agree with the Department's suggestion not to pay the Basic Payment as a flat rate from 2015? If not, please explain why.*

Rapid progress towards payment of the Basic Rate would be of great financial benefit to the arable sector. While this would be an attractive option to the sector we accept that the wider industry would find such a rapid transition difficult and recognise that any business must be given time to make orderly adjustments to changes of this magnitude. In the circumstances we therefore support the line being taken by the Department on this issue.

Question 17. *What are your views on the Department's suggestion to make a level III qualification in agriculture (or a closely related subject) a requirement for young farmers and new entrants to receive an award from the Regional Reserve?*

We recognise the benefits of educational qualifications and support the requirement for a Level III qualification. However we make two recommendations linked to this requirement.

- I. The definition, as proposed, is too restrictive bearing in mind the diverse nature of many farm businesses and the increasing emphasis on such things as business management and environmental stewardship. We suggest that the wording be changed to reflect this e.g. Something along the lines of “of relevance to agriculture”.
- II. Imposing such a requirement brings with it the obligation on education providers to ensure that courses are available at times and locations suitable to those required to achieve the qualifications.

Question 21. *What are your views on which areas should be eligible for use as EFA?*

While the Society is of the view that the EFA requirement is not necessary or appropriate to arable farming as practiced in Northern Ireland, we accept that this is being imposed by others and is outside DARD’s control. However, we believe that DARD has some flexibility and influence in the manner in which the EFAs should be implemented. In that context we would urge the Department to argue for the maximum flexibility in the application of this requirement and specifically to argue for

- I. The inclusion of as many as possible of the 10 options listed on Section 2.18 page 46 of the Consultation Document; and
- II. All farm woodland, in particular woodland that has been established on productive land. These have recognised environmental benefits and farmers were in the past encouraged to establish woodlands with the aid of various grant schemes.

Question 22. *What are your views on whether or not to use the conversion factors in the EFA conversion matrix in determining the area of land which counts as EFA?*

We support this proposal on the grounds that it has the potential to reduce bureaucracy but a lot will depend on the detail of the factors and how they will be applied. It will be

important to build in a degree of flexibility into the administration of the EFA scheme if it is to be successful and simple for farmers to deliver.

Question 23. *Do you agree with the Department's suggestion not to make use of the option to allow groups of farmers to use collective arrangements for up to 50% of their EFA obligation?*

We do not agree with this recommendation as we require maximum flexibility in the application of this EFA requirement and can envisage situations where group action could have benefits to both the farmers and enhancing the environment / amenity of an area. Anything which facilitates local cooperation and integration must be encouraged.

Question 25. *Do you agree with the Department's suggestion not to make use of the "equivalence" option?*

The explanation provided by the Department does not convince the Society that "equivalent practices" should not be counted as contributing to the greening requirements. As the arable sector is carrying the burden of compliance for the entire industry we require maximum flexibility to minimise the impact on businesses in the sector. Many arable farms are enthusiastic participants in the agri-environment schemes and believe that this should count towards their greening activities.

The administrative complexities for the Department should not be a deciding factor in any of these considerations, bearing in mind the significant implications for individual arable businesses.

Question 26. *What are your views on the Department's suggestion to make a Level III qualification in agriculture (or a related subject) a requirement for Young Farmer's Scheme eligibility?*

Our views on this requirement are the same as for question 17; namely –

We recognise the benefits of educational qualifications and support the requirement for a Level III qualification. However we suggest two recommendations linked to this requirement.

- I. The definition as proposed is too restrictive bearing in mind the diverse nature of many farm businesses and the increasing emphasis on such things as business management and environmental stewardship. We suggest that the wording be changed to reflect this e.g. Something along the lines of “of relevance to agriculture”.
- II. Imposing such a requirement brings with it the obligation on education providers to ensure that courses are available at times and locations suitable to those required to achieve the qualifications.

Question 28. *Do you agree that the top-up payment per hectare for young farmers should be limited to 90 ha? If not, please explain why.*

We see no logical reason why any upper limit should be applied. However if a limit must be imposed, presumably due to funding limitations, then this should be the maximum – understood to be 90 ha.

Question 29. *Do you agree with the Department’s suggestion to provide support to Areas of Natural Constraint (ANCs) via Pillar 1 from 2015 scheme year?*

No – we do not agree with the Department’s suggestion to provide support to Areas of Natural Constraint (ANCs) via Pillar 1. In our opinion it is not appropriate to use Pillar 1 funds for this purpose. The payment would be made for social and environmental reasons and so it would be much more logical to make such payments from Pillar II funds or preferably from other available funds outside the CAP funding package.

Question 30. If so, what percentage scale back should be applied to direct payments to fund ANC support via Pillar 1 (Max is 5%)

Not applicable in view of response to Q 29.

Question 31. *Should coupled support be applied in Northern Ireland?*

In view of the research results from the AFBI study showing marginal benefit to suckler cow enterprises, there is in our view no sustainable case for introducing coupled support. We are also concerned that coupled support would interfere with commercial

realities and would not provide much net financial benefit for suckler cow producers while at the same time reducing support for all other farmers.

In view of this response, Questions 32 and 33 are not applicable.

Questions 35 to 38 relate to the Small Farmer Scheme.

We have already stated that we are strongly of the view that the 5 ha limit should be applied to the minimum claim size. Assuming that this limit is applied then Questions 36 to 38 become irrelevant.

If any other limit is introduced then we would support the Small Farmer Scheme on the grounds that in general we agree with any arrangements which reduce the administration cost within DARD and the bureaucratic burden for farm businesses.

Question 40. *Please state your views on the level at which a threshold for exempting businesses from the “active farmer” test should be set (can be anything from €0 to €5,000)*

There seems to be no logical or defensible reason for selecting any particular level and so we suggest that the level be set at €0.

Question 41. *Do you have any views on how land naturally kept in a state suitable for grazing or cultivation should be defined, and do you feel there is any land in Northern Ireland that might fall into this category.*

In the context of arable production we can think of no situations in Northern Ireland where the suitable for cultivation definition would be applicable to active farmers.

Question 42. *Do you have any suggestions for how minimum levels of activity should be defined for land that is naturally kept in a state suitable for grazing or cultivation?*

As stated above we can think of no situations in Northern Ireland where the “suitable for cultivation” definition would be applicable to active farmers and therefore have no suggestions as to how the minimum activity could, be defined.

Question 43. *Do you agree that payments made under the Basic Payments Scheme to any recipient should be capped at €150,000?*

We do not agree with this arbitrary penalty on large businesses which may be providing significant employment to a community and contributing significant economic benefit to NI.

Question 44. Do you agree that “salary mitigation” should not be applied.

On the same basis as Question 43 we do not agree and suggest that salary mitigation should be an option. If a large labour intensive business provides a lot of employment then it should have the option to seek adjustment of any cap.

Again the desire to avoid administrative complexity for the Department should not override the potential impact on individual businesses.

Conclusion.

These proposed changes to the CAP will have a major impact on the arable sector and have the potential to reduce overall production in NI in particular, while at the same time carrying many of the compliance obligations for the whole industry. This is a major concern to the UAS given that our industry is constantly being expected to produce more food for an ever increasing world population. The manner in which these new proposals are implemented will be critical to the future wellbeing and development of our industry and in the light of this we welcome the opportunity to respond to the consultation and trust that these comments will receive careful consideration.

If you feel it would be helpful, we would be happy to provide further clarification or meet to discuss any of these recommendations with Department Officials.

W R L Moore. UAS Chairman January 2014.