

Northern Ireland Forum for Political Dialogue

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**NORTHERN IRELAND AGRICULTURE  
- PREPARING FOR THE FUTURE -**

**A REPORT PREPARED BY  
STANDING COMMITTEE D  
(AGRICULTURE & FISHERIES ISSUES)**

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*Presented to the Northern Ireland Forum for Political Dialogue
on 24 April 1998*

Note

DRAFT REPORTS

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NORTHERN IRELAND AGRICULTURE

- PREPARING FOR THE FUTURE-

Agriculture, Forestry and Fishing account for 5% of gross domestic product in Northern Ireland and when food processing and agriculture input supply are included, the share rises to 8%. Approximately 6% of the Northern Ireland workforce is engaged in Agriculture, Forestry and Fishing and a further 4% in ancillary industries. The Agri-business sector as a whole makes a significant contribution to the production base of the regional economy, accounting for one-quarter of the GDP from and one-third of the employment in, agriculture and the production industries taken together. In these circumstances, Standing Committee D (Agriculture and Fisheries Issues), being aware of the importance to Northern Ireland of the Agriculture Industry, calls on Government to negotiate with the European Union an Agenda 2000 package which recognises the peripherality of Northern Ireland within the European Union, the particular problems which therefore affect Northern Ireland farmers, and the importance to the economy of Northern Ireland of its Agriculture Industry.

In recognition of the key importance of the Northern Ireland Agriculture Industry, and of the need to ensure that it is best placed to meet the challenges of the New Millennium, the Committee **recommends** that the Secretary of State for Northern Ireland should without delay require the formation of an interdepartmental small focus task force. This task force should be given responsibility for the analysis of support mechanisms local, national and international which are, or may be made available, for progressing the restructure of the agricultural industry and for making relevant recommendations.

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1.

INTRODUCTION

- 1.1 In January and February 1997, Standing Committee D arranged a programme of visits to venues across Northern Ireland to hear at first hand the problems and difficulties being faced by farmers. Evening meetings were held in Enniskillen, Banbridge, Coleraine, Dungannon, Omagh, Newtownards and Ballymena, during which farmers took the opportunity to ensure that the Committee members present were well briefed on the issues of the day. The Beef Export Ban and its effect were, of course, top of the agenda. However among the other issues addressed, the most frequently mentioned were the need to encourage young people into farming and to provide for a farm retirement scheme.
- 1.2 In the course of Forum Business on 14 March 1997, the day on which the Forum adjourned for the General Election, the Chairman of Standing Committee D indicated that on return to business following the election, the Committee intended to address the problem of the sons and daughters of farmers turning away from the land, rural planning issues, and the need for a retirement scheme.
- 1.3 Following the break for the General Election, the Committee met on 4 June 1997 and arrangements were made for the collection of written and oral evidence, for visits to the Department of Agriculture for Northern Ireland (DANI) Colleges, and for the engagement of consultants to examine a farm retirement scheme.

- 1.4 On 16 July 1997, the EU Commission issued its strategy for strengthening and widening the European Union ('Agenda 2000 - For a Stronger and Wider Union'). As this strategy looked ahead to the New Millennium and contained proposals which would affect farmers in the future, the Committee decided to pursue this proposal and advertised for comment in the press as well as seeking evidence from a number of persons and bodies.
- 1.5 On 22 December 1997, Dr Cunningham, the Minister of Agriculture Fisheries and Food announced that the Government intended to open early consultations with the farming industry on restructuring in the livestock sector. He noted that major changes in the beef sector were likely over time, with fewer producers, but a more viable industry emerging in the United Kingdom and in Europe. Dr Cunningham went on to indicate that the Government would explore with interested parties whether the European Union's early retirement scheme and other EC structural measures, could play a part in assisting the process to change and achieving the Government's long-term aims.
- 1.6 At an early stage in its deliberations on Agenda 2000, the Committee identified the need to discuss the issues on this topic with the Department of Agriculture for Northern Ireland (DANI). While DANI is responsible for Agriculture matters in Northern Ireland, it is the Ministry of Agriculture, Fisheries and Food (MAFF) which negotiates in Europe on behalf of the United Kingdom as a whole. Despite efforts by the Committee to arrange a meeting with MAFF officials a refusal was obtained with an indication that DANI was best placed to answer the Committee's questions. This refusal was in contrast with the agreement of

Mr John Bensted-Smith of Commissioner Fischler's Cabinet to brief the Committee on the Agenda 2000 CAP proposals. Accordingly, a deputation of Committee Members visited Brussels on 22, 23 and 24 January 1998 and not only received a very full briefing from Mr Bensted-Smith, but also had the benefit of a short meeting with the Agriculture Commissioner, Commissioner Fischler at which the opportunity was taken to lobby him on the Beef Export Ban. During the visit, meetings were also held with Members of the European Parliament and with the Northern Ireland Centre in Europe. The particular thanks of the Committee go to Mr Jim Nicholson MEP who arranged the meetings, to Mr Bensted-Smith for the time he took to give the Committee deputation such a full briefing and to Commissioner Fischler for taking time out of a very busy schedule to meet with the deputation.

- 1.7 On 18 March 1998, the European Commission announced the Common Agricultural Policy (CAP) Reform proposals which were covered in the earlier Agenda 2000 papers. On the same date the Department of Agriculture for Northern Ireland circulated a consultation document seeking comments from the agriculture industry on a range of measures which might be implemented to improve the structure and viability of farm businesses in Northern Ireland.
- 1.8 The Committee, at a meeting held on 26 March 1998, agreed to prepare a report which would address the inter-related topics of Agenda 2000, the encouragement of young people into farming and the introduction of a retirement scheme in Northern Ireland.

- 1.9 On 30 March 1998, the European Union Council of Agriculture Ministers met and debated the CAP Reform proposals announced on 18 March 1998 - and rejected them.
- 1.10 The Committee wishes to express its gratitude to all those individuals and bodies who assisted the Committee in the preparation of this Report.

2.

AGENDA 2000 - FOR A STRONGER AND WIDER UNION

THE PROPOSALS

- 2.1 Agenda 2000, the European Commission's detailed strategy for strengthening and widening the European Union in the early years of the 21st century, was presented to the European Parliament by President Jacques Santer on 16 July 1997. The document assesses the preparedness of the 10 applicant countries from Central and Eastern Europe and indicates that negotiations will be opened with some of these countries in 1998 with the first accessions occurring in 2001 or 2003.
- 2.2 Agenda 2000 indicates that enlargement will entail substantial additional costs for the existing 15 members of the European Union - although it is likely that these costs will be spread over a lengthy period of time. The Commission pointed out that there will be no need to raise the current expenditure ceiling of 1.27% of Member States gross national product.
- 2.3 The three stated challenges posed by Agenda 2000 are as follows:
- how to strengthen and reform the Union's policies so that they can deal with enlargement and deliver sustainable growth, higher employment and improved living conditions for Europe's citizens;
 - how to negotiate enlargement while at the same time vigorously preparing all applicant countries for the moment of accession;

- how to finance enlargement, the advance preparations and the development of the Union's internal policies.

2.4 The Agenda 2000 document is some 300 pages long and contains a detailed exposition of the European Commission's proposals. A shortened version is attached at Annex D. While the document addresses a large number of issues which will affect the agriculture industry in Northern Ireland - there are some which are of particular interest:

- the proposal for the reduction of the seven Objectives (comprehensive programmes for regions which are lagging behind) to three;
- the introduction of stricter enforcement of the qualifying criterion for Objective 1 status - ie that a region's per capita gross domestic product must be below 75% of the European Union Average;
- further reform of the CAP, the main producers affected being cereals, beef and milk;
- a more prominent role for agri-environmental measures, eg organic farming and maintenance of semi-natural habitats.

The Objectives

2.5 As mentioned earlier, it is planned to reduce the number of Objectives from seven to three, ie two regional Objectives and one horizontal Objective devoted to human resources. It is foreseen that by 2006,

Objective 1 and 2 areas will cover between 35% and 40% of the Union population, against 51% currently.

The Future Objectives

- ♦ Objective 1

2.6 For those less developed regions which are eligible, a strict application is proposed of the GDP criterion by which assistance will only go to regions whose per capita GDP is less than 75% of the Union average. While levels of support will reflect population size, the gap between regional wealth and Union average, and national wealth, additional support will be granted to regions with very high unemployment. A phasing out mechanism will be developed for those regions currently eligible under Objective 1 which come out above the 75% threshold.

- ♦ Objective 2

2.7 All regions faced with major economic and social restructuring needs will be covered by a new Objective 2 classification - this will include areas affected by change in the industrial, service or fisheries sectors, rural areas in serious decline because of lack of economic diversification and urban districts in difficulty because of a loss of economic activities.

♦ Objective 3

- 2.8 This classification will apply to regions not covered by Objectives 1 and 2 and will promote activity in four areas - economic and social change, education and training systems, active labour market policies to fight unemployment and combating social exclusion.

CAP Reform Proposals

- 2.9 On 18 March 1998, Mr Santer unveiled the European Commission's plans to revolutionise farm policy and to impose drastic cuts on regional aid. Many of the proposals were contained in the July 1997 package. Mr Santer indicated that over the next year, negotiations with Ministers and Heads of Governments would be tough as all would be reluctant to make sacrifices, despite their commitment to EU expansion. The details of the EC's initial proposals are summarised in the following paragraphs.

♦ Cereals

- 2.10 The proposal is that the intervention price will be reduced by 20% in one step in the year 2000. This will be offset with direct compensation payments which will be increased from 54 ECU to 66 ECU per ton. Continued set-aside will be available but it will be set at a zero rate. Voluntary set-aside will be maintained at the same level of support as at present and will be guaranteed for a five year period.

◆ Beef

2.11 A cursory examination of the Agenda 2000 proposals for the Beef and Dairy sectors confirms the EU Commission's intention to bring commodity prices down to world levels. In the Beef sector, support will be reduced by 30% in three equal steps commencing on 1 July 2000 and from 1 July 2002 the present intervention system will be replaced by a private storage regime. To compensate for this suckler cow and beef premiums will be increased, and a new direct payment will be introduced for dairy cows. Member States will be afforded flexibility which will allow them to allocate part of the increase in direct payments (the "National Envelope") to their own particular priority which will allow them if they so decide, to include premium for heifers. The direct support will still remain as outlined in the original Agenda 2000 proposals, but will be sub-divided into a community wide basic payment. The basic payment levels (2002) will be as follows:-

Bulls	-	220 ECU
Steers	-	170 ECU
Suckler Cows	-	180 ECU
Dairy Cows	-	35 ECU

2.12 These basic levels conform to pre-reform levels plus a 50% increase in total premium. When all resources are assessed with basic premiums and top-up the final level of payment could be as high as 310 ECU for bulls (on a one payment principle) with 232 ECU for steers (paid twice as at present). The top premium for suckler cows

could be as high as 215 ECU per year, with dairy cows getting a top of 70 ECU per head.

- 2.13 It is also proposed to maintain the Deseasonalisation Scheme at similar levels but the calf processing scheme will be abolished. The total number of animals qualifying for special suckler cow premium will be limited to two livestock units per hectare. However, producers with less than 1.4 LU per hectare and practising extensive production methods (animals grazing on pasture land) may qualify for an additional payment of 100 ECU per premium granted. It is not yet clear that if heifers receive premium they will become part of the calculation of the livestock units for each farm.

◆ Milk

- 2.14 The price of intervention butter and skim milk will be reduced by 5% in four different steps and the amount of direct support to each producer will be based on the number of premium units which will be determined by dividing individual reference quantity by the average community milk yield of 5800 litres per cow. This is designed to target support for the producer who has leased quota. Milk Quotas will be maintained until 31 March 2006, with an overall increase of 2% in each national quota's total reference quantity in four different steps which will then be distributed to particular categories of producers who need special support.

♦ Rural Development

2.15 Support will be given to areas such as investment in agricultural holding, training of young farmers, the early retirement scheme (with extra support in less favoured areas), agri-environmental activities, further support for processing, marketing, forestry and other related areas. The proposed support is designed to assist farmers to diversify and adapt to change and bring together for the first time all measures relating to the countryside which were supported by the EAGGF and is designed to complement the proposed reform in market and price policy. These proposals are said to allow greater flexibility and local control. Current eligibility criteria for support in less favoured areas will be modified to create environmental controls in rural development policy.

♦ Modulation

2.16 Member States may be allowed in certain circumstances to modulate direct support per farm within certain criteria relative to employment on each farm. To avoid excessive payments to one farm, it is proposed to implement a digressive overall ceiling on direct payments between 100,000 ECU and 200,000 ECU which will have a 20% reduction and a 25% reduction above that amount.

2.17 The Committee notes that these proposals announced on 18 March were debated by the European Union Agriculture Council of Ministers on 30 March and were rejected. The Agriculture Ministers agreed only that the Agenda 2000 proposals to reduce price support and production subsidies,

replacing them with compensation payments and environmental incentives by the Millennium, would not work.

2.18 At the Council of Ministers' meeting, the UK representatives welcomed the proposals as a good basis for negotiation, but condemned a key element to put a ceiling on direct aid payments which would hit some of Britain's largest producers.

2.19 It is clear that the EU Agriculture Commissioner must now return to the drawing board and amend his proposals. More than a year of negotiations and debate lie ahead.

3.

THE UK ATTITUDE TO AGENDA 2000

3.1 The Agriculture Minister, Dr Jack Cunningham in November 1997 stated:

"The European Commission's proposals in the 'Agenda 2000' document, for an integrated rural policy which combines economic development and a sustainable environment, point reform of the Common Agricultural Policy in the right direction, and I welcome them."

He went on to say:

"Reform of the CAP is in everyone's interest, including farmers. The CAP as it is presently constructed is unsustainable - especially as we face the prospect of a further round of WTO negotiations and enlargement of the EU. I want to establish a Community framework that encourages farmers and other rural entrepreneurs to be more competitive so as to create wealth and provide jobs in rural areas whilst preserving and enhancing our countryside We must focus on two areas. Firstly, replacing production support with rural development measures that will enable those living and working in the countryside to adapt to changing circumstances whether within or outside farming. Secondly, environmental measures to maintain and enhance our countryside."

All these measures may be geared to ensuring that the Agenda 2000 proposals are given a fair wind by the USA at the WTO negotiations in 1998.

3.2 At the Oxford Farming Conference held in early January 1998, Dr Cunningham, in his first major policy speech to a farming audience, underlined his opposition to modulation, describing it as 'perverse nonsense' and pledging UK opposition to its introduction as part of CAP reform. He confirmed that even if it were applied at Member State level, as the Commission planned, he would still have major concerns about the concept.

4. **NORTHERN IRELAND AND AGENDA 2000**

Objective 1 Status

- 4.1 The radical changes in regional funding brought about by the admission of new Members, many from Eastern Europe will mean that the total funding for the existing 15 Member States will be reduced - at 1997 prices the structural operations budget for existing Members is forecast as follows:

1999	-	34.3 bn ECU
2000	-	34.2 bn ECU
2002	-	34.2 bn ECU
2004	-	32.1 bn ECU
2006	-	31.2 bn ECU

- 4.2 This means that the amounts available to Northern Ireland will become smaller, and in view of the changes in relative prosperity within the 15 Member States, Northern Ireland will no longer be in the most needy category.
- 4.3 While 65% of the structural funds will go to Objective 1 regions, 35% will go to newly defined Objective 2 regions, including Northern Ireland. Northern Ireland will therefore be in competition with a much larger number of regions for what will clearly be a much smaller sum of money. However, in the early years of change, it would appear that Northern Ireland, among others, may benefit from a transition formula which will phase the change.

- 4.4 Northern Ireland is at risk of losing European Union status as an Objective 1 region - ie a region which attracts the highest allocation of funds from the European Regional Development Fund, the European Social Fund and the Agriculture Guidance Funds. In 1994, Northern Ireland was granted a special concession, as it had been in earlier negotiations, to remain as an Objective 1 Area.
- 4.5 On this occasion, it is envisaged that Northern Ireland may not be able to meet the more stringently applied rules for the achievement of Objective 1 status. The draft proposals indicate that:
- "The current Objective 1 areas that no longer qualify for the list will have their assistance phased out gradually. It will end on 31 December 2005 for the ERDF but will be extended to 31 December 2006 for those areas that meet the eligibility criteria for Objective 2."
- 4.6 Commentators have suggested that an assault on the Commission and the Council of Ministers which simply argues that the regulations and decisions are unfair is a poor tactic. The argument, it is said, is likely to be rejected as an unjustified form of special pleading. Other alternatives have been suggested, including the fragmenting of Northern Ireland into areas, some of which will qualify for Objective 1 status.
- 4.7 In any case the EU proposals are just that - proposals, and therefore capable of negotiation. The Committee **recommends** that Northern Ireland elected representatives, farming unions and agriculture industry

representatives should press for the retention of Objective 1 status for Northern Ireland.

Cap Reform

- 4.8 Having examined the proposals for CAP Reform announced by the European Commission on 18 March 1998, the Committee shares the attitude of the European Union Council of Agriculture Ministers which totally rejected the proposals at a meeting held on 30 March 1998. However, the Committee comments on the proposals (which are set out in Section 2 of this Report) in the following paragraphs.
- 4.9 In general, the Committee considers that within the CAP Reform proposals the compensation levels stated will not offset the projected fall in farming income in Northern Ireland. In any re-examination of the CAP Reform proposals, the Committee **recommends** that the European Commission should amend the proposals and provide for full compensation to meet the projected fall in farming incomes.
- 4.10 With regard to cereals, the Committee shares the view of the Ulster Farmers' Union that voluntary set-aside should be retained, and that with regard to modulation, it is essential that producers in Northern Ireland are not disadvantaged. The Committee commends the Union's Seeds and Cereals Policy set out in its letter dated 17 December 1997.
- 4.11 Within the proposal for the Beef sector, the Committee supports the plans to afford flexibility to Member States, flexibility which will allow them to

allocate part of the increase in direct payments (the National Envelope) to their own particular priority which will allow them, if they so decide, to include premium for heifers. The Committee **recommends** that the Government should as part of any negotiated CAP Reform agreement, introduce a Beef Heifer premium.

4.12 Within the Milk Sector, the Committee notes and supports the proposal to maintain Milk Quota until 31 March 2006. As part of any negotiated CAP Reform agreement, the Committee **recommends** that the Government should seek to ensure that an allocation of Milk Quota is made available to enable new entrants to come into the dairy industry. This issue is also addressed in Section 5.

4.13 The Committee is strongly of the opinion that Rural Development proposals within CAP Reform are most important for Northern Ireland. The provision of proposals which will enable Northern Ireland farmers to diversify and adapt to change are addressed in Section 5 of this Report.

The Millennium Bug

4.14 In the course of discussion with the representatives of the Northern Ireland Banking Association (NIBA) on Wednesday 4 February 1998, the attention of the Committee was drawn to the effect which the New Millennium will have on computers. The NIBA representatives pointed out that many computer systems will be affected by the advent of the New Millennium and that DANI should be listing those which will impact on agriculture. Mr Michael of NIBA indicated that he had raised this

problem with DANI at the highest level, to be told that not enough staff are available to convert all these systems between now and the New Millennium and that while the vast majority of farmers will be unaffected, others will be. He indicated that he would not want farmers to get it wrong, and went on to say:

"They (DANI) consider it to be something that can be dealt with very simply somewhere down the line; but that is not the case. The Government will probably make more of an issue of this over the next few months."

- 4.15 The Committee shares the view of the NIBA, and **recommends** that DANI should take action now to ensure that farmers who use computer systems are given the information needed to prepare for the New Millennium. Further, the Committee is alarmed to hear that at a high level in DANI, it has been indicated that not enough staff are available to convert all the computer systems which impact on agriculture before the New Millennium. The Committee places a great deal of importance on this and therefore **recommends** that DANI should act now to ensure that the necessary conversions are completed before the Millennium deadline.

5. **MEASURES TO ASSIST FARMERS TO
DIVERSIFY AND ADAPT TO CHANGE**

5.1 Within the Agenda 2000 proposals, the concept of rural development is to be enhanced. It is proposed that support will be given to such things as investment in agricultural holding, training for young farmers, the early retirement scheme (with extra support in less favoured areas) and agri-environmental activities. Further support will be given to marketing, processing and forestry. All these proposals are geared to assist farmers to diversify and adapt to change.

5.2 The Committee, having examined the proposals for CAP Reform, wishes to see measures taken to ensure that the Northern Ireland agriculture industry is well prepared for the changes which will occur in the New Millennium. Some of these measures are addressed in the following paragraphs. In making its recommendations within this section of the report, the Committee acknowledges that at this stage, the CAP proposals made under the Agenda 2000 heading have yet to be agreed by EU Agriculture Ministers, must be acceptable as part of the World Trade Organisation negotiations in 1999, and are therefore open to negotiation and change.

Early Retirement from Farming

5.3 A scheme of Early Retirement from Farming is one of the accompanying measures to the CAP Reform agreed in May 1992. Under Council Regulation (EEC) No 2079/92, Member States may institute a community

aid scheme for early retirement from farming, jointly funded by the European Union and the National Exchequer.

5.4 While not mandatory, early retirement schemes have been implemented by many European Union countries including Belgium, Denmark, Germany, Greece, Ireland, Italy and Spain. However the UK Government has not implemented a Scheme, as it was sensitive to the fact that any European Union contribution to the funding of such a scheme would reduce the amount of rebate paid back to the United Kingdom by the European Union (the Fontainebleau Agreement).

5.5 On 6 June 1997 after the General Election, the Chairman of the Agriculture and Fisheries Committee of the Forum announced to the Northern Ireland Forum that the Committee had expressed concern about young people in rural areas opting for careers outside farming and that the Committee had therefore decided to take evidence from the farming community and other interested persons and bodies on this issue. The Chairman also indicated that at an early date the Committee would explore the merits of a farm retirement scheme - a method of helping young people on to the land.

5.6 Since 1992 there has been pressure from the Ulster Farmers' Union, Local Authorities, MPs and MEPs for the introduction of an early retirement scheme in Northern Ireland. The Ulster Farmers' Union in particular have pressed successive Ministers and in 1996 submitted proposals for a regional scheme, allowed under the Commission Regulation. On 17 June 1997, Lord Dubs, Northern Ireland Minister for Agriculture and the Environment wrote to the Union indicating that the Scheme was not

affordable and that funds would not become available until a lower priority area which could be sacrificed could be identified.

5.7 Evidence on this topic was sought from a wide range of interests and minutes of oral evidence and copies of written evidence received are attached at Annexes C and D.

5.8 In August 1997, the Committee appointed CAPITA, a consultancy firm to research the background to the early retirement schemes operated within the European Union and to develop a workable scheme for Northern Ireland farmers. The company made a presentation to the Committee on 13 October 1997 (see Annex D) which identified the main problem to be the cost of implementation, which would have to be found from within the financial resources available to DANI. Having taken evidence from DANI representatives who had indicated that the benefits accruing from a retirement scheme in Northern Ireland would not justify the cost (£56m), the Committee asked CAPITA to meet with DANI and to assess the situation prior to moving to the second stage of the consultancy operation - the development of an early retirement scheme for Northern Ireland. Following this meeting, it was clear that DANI was not disposed to find the necessary money - other priorities taking precedence - and the Committee reluctantly decided not to proceed any further with the consultancy exercise.

5.9 It was therefore with some surprise that the Committee noted the announcement made by Dr Cunningham on 22 December 1997 regarding the Government's intention to open early consultations with the farming industry regarding restructuring of the beef sector. Dr Cunningham

undertook to explore with interested parties whether the European Union's early retirement scheme and other structural measures would play a part in assisting the process of change and achieving the Government's long term objectives.

DANI Consultation Paper on Early Retirement

5.10 On 18 March 1998, DANI wrote to a number of interested bodies (see Annex D) inviting comments on a range of measures which might be drawn up to improve the structure and vitality of farm businesses. It is pointed out by DANI that the consultation exercise is without commitment as to which of the measures addressed might be implemented, and that the Government will have to take into account CAP reform developments following publication of the Agenda 2000 proposals.

5.11 The DANI consultation paper seeks comment on the following:

- should an early retirement scheme be extended beyond the sheep and beef sectors?
- would specific conditions regarding size or geographic location of farms be appropriate?
- for how long should the scheme be open?
- are there any disadvantages to the lump sum scheme?
- any other issues?

◆ Sector Coverage/Geographic Coverage/Size of Farm

- 5.12 It is clear that the Government wishes to see restructuring in the beef industry, and it is therefore a foregone conclusion that the beef sector will be included in any scheme. The DANI paper also points to the sheep sector and indicates that many of the most vulnerable beef and sheep farms are found in designated disadvantaged areas. In addition the Committee notes that under the Agenda 2000 CAP reform proposals, extra support will be made available under the early retirement scheme to farmers in less favoured areas. The view of the Young Farmers' Clubs of Ulster was that eligible applicants should be accepted regardless of farm type or geographical location.
- 5.13 The Committee therefore **recommends** that any early retirement scheme for farmers should regardless of size of farm or geographical area, be open to all farmers in all sectors of the industry. In deciding other eligibility criteria, the Committee also **recommends** that the Government should take account of best practice and experience gained in the European Union countries where an early retirement scheme has been introduced.
- 5.14 The Committee **recommends** that any retirement scheme should be open for a period of five years to enable farmers to plan for the future and to remove any rush to make decisions.

♦ Aid

5.15 The Committee **recommends** that aid payments should be in the form of lump sums only, rather than drip-feeding the aid. Such an arrangement, while administratively convenient, will provide farmers with a sum sufficient for investment.

♦ Structural Funds

5.16 The Committee notes that Dr Cunningham announced that the Government would explore "other EU structural measures" in the context of restructuring, and that DANI points out that this is not appropriate for Northern Ireland as Structural Funds are fully committed up to the end of 1999, when new funding will be negotiated. This situation concerns the Committee, because of the possibility of Northern Ireland farmers being treated differently to their counterparts in other areas of the UK. The Committee therefore **recommends** that in introducing an early retirement scheme, the Government should ensure that any arrangements are applied equally throughout the United Kingdom. If this proves impossible because of commitment of Structural Funds, the Committee **recommends** that the Government should defer the introduction of any early retirement scheme until the necessary Structural Funds are available across the United Kingdom.

◆ Balance

5.17 The Committee considers that support for the agriculture industry must not only be addressed from the economic standpoint. While farmers maintain the environmental beauty of the countryside, the population at large and tourists enjoy the countryside. It is therefore important that shortcomings in the agricultural industry must be addressed in the light of the economic and social benefits to be gained by the farmers, however attention must also be directed towards the environmental benefits and the benefits to the country as a whole of maintaining our farmers in the countryside and on the land. The Committee therefore **recommends** that in developing an early retirement scheme, the Government should take account not only of economic issues but also of social and environmental issues.

◆ Agri-Environmental Issues

5.18 The European Union has indicated that agri-environmental activities will be given additional support and DANI seeks comments on this. The Committee has given much thought to this particular issue and therefore **recommends** that farmers should be offered an "environmental audit" under which the farm would be visited by DANI and a report prepared identifying environmental problems needing attention. The Committee further **recommends** that grant-aid should be provided to enable the farmer to undertake necessary work identified in the environmental audit. In addition to this, the Committee **recommends** that consideration should be

given to the creation of schemes which would address the following environmental farming areas:

- hedgerow retention and planting;
- repair and restoration of old/traditional farm buildings;
- tree planting.

◆ Legal and Taxation Problems

5.19 With regard to succession on farms in Northern Ireland, there is a strong patrimonial concept which entails the equal division of agricultural property. In addition, there is also the fear on handing over the property to a son and daughter that divorce could lead to the break up or loss of a farm which has been in the family for generations. In its evidence to the Committee, the representatives of the Young Farmers' Clubs of Ulster stressed the need for careful consideration of the financial issues and of legal hurdles which would hinder uptake of the scheme. These issues were also highlighted by CAPITA in their presentation to the Committee - particular mention being made of Capital Gains Tax and Inheritance Tax, and also of the problems posed by Land Tenure Law. In its paper 'Young Farmers and the Problem of Succession in European Agriculture' (COM(96)398), the European Commission highlights the problems of inheritance law and suggests that where other heirs have to be compensated, it would be preferable if this compensation could be paid over several years in order to ensure continuity of farming without shortage of finance, or to prevent the young person actually giving up the farm. With regard to taxation, the paper also

suggests that Member States look into the possibility of granting exemptions or tax reductions on the transfer of farms, pointing out that the survival of a larger number of enterprises means fewer businesses and jobs lost and a source of tax receipts and social security contributions preserved. Legal forms of partnership are also suggested to make it possible for the parent farmer to involve the intended successor in the management of the family farm. The Committee therefore **recommends** that the Government should, before implementing an early retirement scheme, address the legal and taxation problems which will affect both parent farmers and successors to make the scheme a viable and attractive proposition.

♦ Transfer of Production Quotas and Arable Aid

5.20

The Committee identified at an early stage in the taking of evidence that there was a need in any early retirement scheme, to make provision for successors to have access to production quotas. If such arrangements are not made, the Committee is convinced that successor farmers will be unable to achieve viability. In discussion with Dr Stewart of United Dairy Farmers the Committee canvassed the idea of a national reserve of milk quota which could be applied to young people who wished to start up in dairy farming. Dr Stewart was supportive of such a measure. The Young Farmers' Clubs also supported the transfer of production quotas to successor farmers to overcome a major entry barrier. The Young Farmers suggested that the person transferring the quota or the right to production should receive perhaps 50% of the market value of the quota to encourage him to transfer it with the land. Such action

would in the view of the Young Farmers ensure that rather than going on to the open market to an established farmer, the quota would be taken over by the successor farmer. The Committee is aware that certain quotas - eg suckler cow and sheep quotas, can be transferred from farmer to farmer, however in such cases, it is understood that a proportion of the quota is taken by the Government for allocation to the national reserve. Such an arrangement where a quota is being passed from father to son or daughter as part of an early retirement scheme would be unacceptable to the Committee. The Committee therefore **recommends** that the Government should introduce measures to provide successor farmers with full quotas or rights of production to enable them to run a viable business. With regard to the transfer of land registered for arable aid, the Committee, being aware of difficulties within this scheme, **recommends** that the Government should take action to widen the scope for the transfer of such aid from one part of a holding to another.

♦ The Conacre System

5.21 In an evidence session with the representatives of DANI on 9 October 1997, attention was drawn to the fact that an early retirement scheme could have important side effects on land tenure practice in Northern Ireland, particularly the conacre system. It was pointed out that 225,000 hectares of land are available to rent under this system to those who wish to expand their business, and that under current market conditions conacre offers fewer risks to the

farmer than the longer term commitment of buying or leasing land. It was also explained that the conacre system is a tradition in Northern Ireland and is widely used by older farmers as a means of securing an income without having to sell off the family farm or land. In the event of an early retirement scheme being introduced, the Committee **recommends** that DANI should take whatever action is necessary to ensure that the conacre system of leasing is enabled to continue.

♦ Holistic Approach

5.22 The Committee considers that if the agriculture industry in Northern Ireland is to have a future, an injection of new blood is necessary. The Committee is convinced that an early retirement scheme on its own is not the answer. The Committee therefore **recommends** that an holistic approach should be adopted which addresses:

- the provision of agricultural training and education;
- the provision of a retirement scheme for those who wish to use it;
- the provision of financial assistance to the young farmer who takes over the family farm, financial assistance which includes:
 - capital and other grants for the development and modernisation of the farm;

- setting up and investment aid;
- the provision of EU quotas where necessary as an aid to the young farmer.

♦ Nature of Scheme

5.23 The Committee acknowledges that the EU early retirement scheme requires that land released as a result of the retirement must normally be amalgamated with other land to produce a larger holding, or if non-viable, go to non-agricultural use; the farm cannot simply be transferred to another owner and then farmed as a self-contained unit. Such an arrangement does not allow for family farms to be taken over by young farmers. As the Agenda 2000 CAP reform proposals contain references to the early retirement scheme, the Committee **recommends** that DANI should engage the Government with a view to the negotiation of an early retirement scheme which will reflect the requirements of Northern Ireland where the age structure of farmers is particularly high, and permit young people to take over viable holdings on the retirement of their parents, without the requirement of expanding the farm size.

Diversification

5.24 The Committee notes that commentators have not only highlighted the drift to part-time farming in Northern Ireland, but have also stressed that part-time farming will become the norm in the New Millennium. In these circumstances, there will be a move away from the land, particularly of

educated young people who wish to pursue lucrative careers outside farming. It is for this reason that the Committee wishes to see recognition of the need to encourage young people to remain in rural areas, and therefore **recommends** that the Government should seek through the European Union to foster diversification on farms - eg arts and crafts, bed and breakfast accommodation, home-based businesses, the provision of renewable energy through the growing of willow biomass etc. Renewable energy is a topic on which the Committee hopes shortly to complete a Report for adoption by the Forum. The Committee further **recommends** that the Government should provide grant-aid schemes where necessary to assist diversification in rural areas and to keep the rural community in the countryside. Further recommendations under the heading of Planning and Education and Training are made later in this Report, recommendations which, if implemented, will assist diversification.

Education and Training

- 5.25 The primary aim of the Agri-Food Development Service, which includes the DANI Colleges is to improve the economic performance of the agri-food sector by developing the competence of people engaged in the industry. The Service works closely with the agriculture industry to identify the necessary education and training needs and to deliver courses and programmes to meet these needs.
- 5.26 Greenmount, Enniskillen and Loughry Colleges provide a wide range of full-time, part-time and short courses in agriculture, horticulture, equine studies, food technology and communication for people entering and

already in the industry. Full-time courses are provided at the main campuses while part-time and short courses are provided at out centres across Northern Ireland, as well as at the main campuses.

- 5.27 The Colleges vigorously promote their courses through schools, local offices of the Training and Employment Agency, Departmental Advisory staff and other contacts. Quality promotional materials are widely distributed and extensive press publicity is regularly secured.
- 5.28 A counselling and careers advice service is provided to help people choose appropriate courses and secure employment in the industry.
- 5.29 The Colleges have been successful in recruiting increased numbers of young people on to full-time and part-time courses leading to recognised vocational qualifications. Other College programmes help mature farmers and others working in the industry to develop competence and values related to business management, countryside management, marketing and the adoption of new technology.
- 5.30 A summary of the work being undertaken by the DANI Colleges to encourage younger people to come into or stay in the Industry is set out at Annex D which also contains details of Course provision and numbers of students enrolled.
- 5.31 The Committee met with Mr Kirkpatrick and Mr Titterington of the Agri-Food Development Service on 11 September 1997 during which the operation of the Colleges, education, training and support to the industry

were discussed. The Minutes of Evidence of this meeting are included in Annex C. The Committee found this meeting to be most informative.

5.32 In the course of this meeting, the Committee was invited to visit the Agriculture Colleges and in due course visits to Greenmount (on 1 October 1997) and to Enniskillen (on 12 November 1997) took place. The Committee was most impressed with the facilities available at the Colleges, with the enthusiasm and expertise of the staff, and with the high calibre of the students.

5.33 The Committee has noted that the Rural Development component of the Agenda 2000 CAP proposals contains an indication that particular support will be given to training for young farmers. The Committee, having already addressed the need for an holistic approach to the encouragement of young farmers, **recommends** that the Government should take advantage of any financial support measures made available by the European Union for the education and training of young farmers.

5.34 In addition, the Committee has noted the additional resources which have been made available by the Government to the Health and Education budgets in recent months. The Committee was alarmed to learn that the Agricultural Colleges had not benefited from this policy decision. The Committee was advised that if any increase in the allocation of financial resources to the Agricultural Colleges was to be made, such an increase would have to come from savings elsewhere in the DANI budget. The Committee regards this situation as most unfair - agriculture education is no different to other spheres of education. The Committee therefore

recommends that the Secretary of State should make the necessary arrangements to ensure that Agricultural Colleges receive a fair share of the additional resources being made available to education.

- 5.35 While the Committee is concerned to ensure that young people are encouraged to remain on the land or to take up farming, and that they receive the highest quality training and education to prepare them for the future, the Committee is also aware of the need to provide programmes of training for mature farmers and their families. Such programmes should develop competence and values related to business management, countryside management, marketing and new technology. The Committee therefore **recommends** that additional resources should be allocated to mature learning facilities at the Agricultural Colleges to enable the provision of courses and training opportunities for mature farmers, particularly in Information Technology. Further, the Committee **recommends** that additional resources should be provided for courses for farmers who wish to diversify their business.

Planning

- 5.36 In the course of its examination of the measures needed to assist young people to stay on the land, the Committee identified that one of the reasons for young people leaving the land was difficulty in obtaining planning permission for dwellings. The Committee therefore invited the Planning Service of the Department of the Environment to give evidence on this topic. A copy of the Minutes of Evidence and of the Written Evidence on this topic is attached at Annexes C and D.

5.37 The Chief Executive of the Planning Service, Mr Stewart, explained that within the Service's Planning Strategy for Rural Northern Ireland, account was taken of Northern Ireland's traditional and distinctive pattern of rural settlement. It was explained that proposals for single dwellings in the countryside constitute an important element of the Agency's development control workload - some 2,500 to 3,000 new dwellings being approved each year, representing 80% of all applications received for such development. The Chief Executive also explained that in considering proposals to build houses in the countryside, the Agency balances community needs and aspirations with environmental concerns by seeking to persuade developers to choose sites capable of absorbing a dwelling satisfactorily and designs compatible with the rural scene.

5.38 The Committee noted that under the Planning Strategy for Rural Northern Ireland, Policy Hou 9 - "Farmworkers' Houses" it states:

"Exceptionally, where a son or daughter of a farmer works mainly on the farm holding, permission may also be granted for a new house, even though it may not be strictly necessary on agriculture grounds for a farmworker to live on the holding. In some cases, particularly where the labour requirements of the farm are small, it will be appropriate for the parent to seek permission for a dwelling house based on retirement from farming

Farmers' sons and daughters who only work part-time in farming and have their main employment elsewhere are unlikely to fulfil the requirements of this policy."

- 5.39 The Committee questioned the Planning Service on this topic in some detail and raised a number of other issues, including diversification, areas of special control, increased man hours, area plans, environmental studies, fee structure, radio masts.
- 5.40 The Committee sought some degree of flexibility from the Planning Service representatives. The Committee Chairman pointed out:

"Our main concern is for those, particularly in the severely disadvantaged areas, but not exclusively, who are perhaps farming 50 acres but who cannot afford to employ their son or daughter full time. Despite the fact that that son or daughter is going to inherit the farm and wants to remain in farming, he or she cannot remain on the holding because of planning restrictions. Is it not slightly odd that you can put up a 60ft cattle house without permission but cannot put up a bungalow for your son or daughter who are not working full time because the farm cannot justify two or one and a half full-time workers? Is there not room for consideration where there is that genuine need - and I stress the word genuine? Could the Planning authorities not consider granting permission but enforcing where the house was sited? In other words, what if a farmer, in order to prove genuine need, sites the house in the farmyard or adjacent to an existing house so that it is perfectly obvious that it is not going to be desirable for resale? I know you have occupancy clauses which in themselves cause problems. But if it is clear that a case is genuine and that a house is sited in such a way that it fulfils the desire of the next generation to stay on the holding or fulfils the need for them to be there to help with calving or milking, is there not some way in which your

policy could be developed to be more flexible? Do you accept that there is a need for more flexibility?"

5.41 In response, the Chief Executive of the Planning Service explained that there does need to be flexibility. However he pointed to the fact that when the Planning Service suggest that dwellings be integrated with a farmyard this is not wanted. What is wanted, he said, is separate access (with attendant roads and other problems) and some separation to ensure that separate social activities are maintained.

5.42 The Committee did not receive any reassurance that the Planning Service will, in future, be any more tolerant of planning applications from farmers or their sons and daughters for farm dwellings. If the proposal for an early retirement scheme for farmers is implemented, it is possible that there will be an increasing number of planning applications for permission to construct dwelling houses on the farm for sons and daughters who will be taking over the working of the farm. It will be essential in these circumstances for the Planning Service to exhibit the flexibility needed to meet this demand. The Committee therefore **recommends** that if the Early Retirement Scheme which is being proposed is to succeed, and if the need for diversification in rural areas (mentioned earlier in this Report) is to be met, it will be necessary for the Planning Service to be more helpful to young farmers or their parents seeking planning permission for a farm dwelling.

6.

SUMMARY OF RECOMMENDATIONS

NORTHERN IRELAND AND AGENDA 2000

- 6.1 The Committee calls on the Government to negotiate with the European Union an Agenda 2000 package which recognises the peripherality of Northern Ireland within the European Union, the particular problems which therefore affect Northern Ireland farmers, and the importance to the economy of Northern Ireland of its Agriculture Industry. In recognition of the key importance of the Northern Ireland Agriculture Industry, and of the need to ensure that it is best placed to meet the challenges of the New Millennium, the Committee **recommends** that the Secretary of State for Northern Ireland should without delay require the formation of an interdepartmental small focus task force. This task force should be given responsibility for the analysis of support mechanisms, local, national and international which are, or may be made available, for progressing the restructure of the agricultural industry and for making relevant recommendations.
- 6.2 The Committee **recommends** that Northern Ireland elected representatives, farming unions and agriculture industry representatives should press for the retention of Objective 1 status for Northern Ireland. (Paragraph 4.7)
- 6.3 In any re-examination of the CAP Reform proposals, the Committee **recommends** that the European Commission should amend the proposals

and provide for full compensation to meet the projected fall in farming incomes. (Paragraph 4.9)

6.4 The Committee **recommends** that the Government should as part of any negotiated CAP Reform agreement, introduce a Beef Heifer Premium. (Paragraph 4.11)

6.5 As part of any negotiated CAP Reform agreement, the Committee **recommends** that the Government should seek to ensure that an allocation of Milk Quota is made available to enable new entrants to come into the dairy industry. (Paragraph 4.12)

6.6 The Committee **recommends** that DANI should take action now to ensure that farmers who use computer systems are given the information needed to prepare for the New Millennium. Further, the Committee is alarmed to hear that at a high level in DANI, it has been indicated that not enough staff are available to convert all the computer systems which impact on agriculture before the New Millennium. The Committee places a great deal of importance on this and therefore **recommends** that DANI should act now to ensure that the necessary conversions are completed before the Millennium deadline. (Paragraph 4.15)

EARLY RETIREMENT FROM FARMING

6.7 The Committee **recommends** that any early retirement scheme for farmers should regardless of size of farm or geographical area be open to all farmers in all sectors of the industry. In deciding other eligibility criteria,

the Committee also **recommends** that the Government should take account of best practice and the experience gained in the European Union countries where an early retirement scheme has been introduced. (Paragraph 5.13)

- 6.8 The Committee **recommends** that any early retirement scheme for farmers should be open for a period of five years to enable farmers to plan for the future and to remove any rush to make decisions. (Paragraph 5.14)
- 6.9 The Committee **recommends** that aid payments should be in the form of lump sums only, rather than drip-feeding the aid. (Paragraph 5.15)
- 6.10 The Committee **recommends** that in introducing an early retirement scheme for farmers, the Government should ensure that any arrangements are applied equally throughout the United Kingdom. If this proves impossible because of commitment of Structural Funds, the Committee **recommends** that the Government should defer the introduction of any early retirement scheme until the necessary Structural Funds are available across the United Kingdom. (Paragraph 5.16)
- 6.11 The Committee **recommends** that in developing an early retirement scheme, the Government should take account not only of economic issues but also of social and environmental issues. (Paragraph 5.17)
- 6.12 The Committee **recommends** that farmers should be offered an 'environmental audit' under which the farm would be visited by DANI and a report prepared identifying environmental problems needing attention.

The Committee further **recommends** that grant-aid should be provided to enable the farmer to undertake necessary work identified in the 'environmental audit'. In addition to this, the Committee **recommends** that consideration should be given to the creation of schemes which would address the following environmental farming areas:

- hedgerow retention and planting;
- repair and restoration of old/traditional farm buildings;
- tree planting. (Paragraph 5.18)

6.13 The Committee **recommends** that the Government should, before implementing an early retirement scheme, address the legal and taxation problems which will affect both parent farmers and successors to make the scheme a viable and attractive proposition. (Paragraph 5.19)

6.14 The Committee **recommends** that the Government should introduce measures to provide successor farmers with full quotas or rights of production to enable them to run a viable business. With regard to the transfer of land registered for arable aid, the Committee, being aware of difficulties within this scheme, **recommends** that the Government should take action to widen the scope for the transfer of such aid from one part of a holding to another. (Paragraph 5.20)

6.15 In the event of an early retirement scheme being introduced, the Committee **recommends** that DANI should take whatever action is necessary to ensure that the conacre system of leasing is enabled to continue. (Paragraph 5.21)

6.16 The Committee **recommends** that an holistic approach should be adopted to the introduction of an early retirement scheme which addresses:

- the provision of agricultural training and education;
- the provision of a retirement scheme for those who wish to use it;
- the provision of financial assistance to the young farmer who takes over the family farm, financial assistance which includes:
 - capital and other grants for the development and modernisation of the farm;
 - setting up and investment aid;
 - the provision of EU quotas where necessary as an aid to the young farmer. (Paragraph 5.22)

6.17 The Committee **recommends** that DANI should engage the Government with a view to the negotiation of an early retirement scheme which will reflect the requirements of Northern Ireland where the age structure of farmers is particularly high, and permit young people to take over viable holdings on the retirement of their parents without the requirement of expanding the farm size. (Paragraph 5.23)

6.18 The Committee **recommends** that the Government should seek to foster diversification on farms - eg arts and crafts, bed and breakfast

accommodation, home-based businesses, the provision of renewable energy through the growing of willow biomass etc. The Committee further **recommends** that Government should provide grant aid schemes where necessary to assist diversification in rural areas and to keep the rural community in the countryside. (Paragraph 5.24)

EDUCATION AND TRAINING

- 6.19 The Committee, having already addressed the need for an holistic approach to the encouragement of young farmers, **recommends** that the Government should take advantage of any financial support measures made available by the European Union for the education and training of young farmers. (Paragraph 5.33)
- 6.20 The Committee **recommends** that the Secretary of State should make the necessary arrangements to ensure that Agricultural Colleges receive a fair share of the additional resources being made available to education. (Paragraph 5.34)
- 6.21 The Committee **recommends** that additional resources should be allocated to mature learning facilities at the Agricultural Colleges to enable the provision of courses and training opportunities for mature farmers, particularly in Information Technology. Further, the Committee **recommends** that additional resources should be provided for courses for farmers who wish to diversify their business. (Paragraph 5.35)

PLANNING

- 6.22 The Committee **recommends** that if the Early Retirement Scheme which is being proposed is to succeed and if the need for diversification in rural areas (mentioned earlier in this report) is to be met, it will be necessary for the Planning Service to be more helpful to young farmers or their parents seeking planning permission for a farm dwelling. (Paragraph 5.42)

MEMBERSHIP OF
STANDING COMMITTEE D
(AGRICULTURE AND FISHERIES ISSUES)