ANNEX A

MEMBERSHIP OF

STANDING COMMITTEE D

(AGRICULTURE AND FISHERIES ISSUES)

ANNEX B

MINUTES OF PROCEEDINGS

ANNEX C

MINUTES OF EVIDENCE

MINUTES OF EVIDENCE

19 June 1997	Northern Ireland Agricultural Producers' Association Early Retirement Scheme
11 September 1997	Department of Agriculture for Northern Ireland Agricultural Education
18 September 1997	Department of Agriculture for Northern Ireland CAP Reform
9 October 1997	Department of Agriculture for Northern Ireland Early Retirement Scheme
6 November 1997	Northern Ireland Meat Exporters' Association Agenda 2000
13 November 1997	Planning Service Planning in Rural Areas
13 November 1997	Northern Ireland Agricultural Producers' Association Early Retirement Scheme Young People into Farming Agenda 2000
20 November 1997	United Dairy Farmers Agenda 2000
27 November 1997	Northern Ireland Grain Trade Association Early Retirement Scheme Young People into Farming Agenda 2000
27 November 1997	Ulster Farmers' Union Early Retirement Scheme Young People into Farming Agenda 2000
2 December 1997	Association of Livestock Auctioneers Agenda 2000

MINUTES OF EVIDENCE
(Cont'd)

3 December 1997	Livestock and Meat Commission Agenda 2000
9 December 1997	Mr J Gilliland Chairman, Cereal Committee UFU Agenda 2000
4 February 1998	Northern Ireland Bankers' Association Financial Effects of Agriculture Crisis Agenda 2000
2 April 1998	Young Farmers' Clubs of Ulster Early Retirement Scheme

NORTHERN IRELAND FORUM
FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 19 June 1997

MINUTES OF EVIDENCE
(Mr J Carmichael and Ms E Cassidy
(Northern Ireland Agricultural Producers' Association))

on

EARLY RETIREMENT SCHEME FOR FARMERS

The Acting Chairman (Mr Stewart): Mr Carmichael and Ms Cassidy, you are welcome. Thank you very much indeed for taking the time to come again. You seem to be used to coming to this part of the country. After your presentation some members of the Committee would like to put questions to you.

Mr Carmichael: Do you want me to open with a statement?

The Acting Chairman: Yes, please.

Mr Carmichael: We know we have been asked today to discuss a submission for an Early Retirement Programme for Northern Ireland farmers. We would like to look at it in two ways — from the point of view of the age groups of those who are actively farming at the moment (throughout Europe the pattern seems to be the same), but also in the context of the problem of succession (there are problems with heirs perhaps not taking over early enough). With regard to the latter, people might have ideas for changing management which they do not get to put into practice. There may be people who would like to retire but do not have any means of income.

Throughout Europe there are about 8.5 million farm businesses. At present, only about 8% of those have managers or owners who are under 35 years of age, and perhaps nearly 25% are over 65. The pattern is much the same in the North, where we have 8% under 35, 26% over 65, and about 50% over 55.

Nobody says that age is a barrier to managing a farm business, or any business, but there has to be succession. There may not be an heir to the farm business in some cases, or there may not be sufficient income from the business to support the manager/owner and an heir, and the younger person has to take another job to support himself until he can take over. The latter might find that the income from the other job was more than he could envisage from the farm, and he might not wish to go back. Or potential heirs might have no interest in farming. Some people see farming as something they would not want to take up.

For instance, since BSE in the United Kingdom there has been demand for change throughout Europe. There has been demand for change in the way we mark livestock. We now have lower weights of cattle proposed, and incomes could fall because people do not see the need to change.

People get set in their ways. Having operated a farm business in a particular way for a number of years, they might not see any need to change. If they have had sufficient income to manage on for their lifetime, they might not see the need to do anything, and there might not be people in a position to take the business forward when they were needed.

I will leave it at that for the moment. Other issues may come out.

The Acting Chairman: Thank you, Mr Carmichael. Is there any member who would like to put in a question? This is on record, and we have been asked for the tape for tonight's 'Farming Life' on the BBC.

Mr Shannon: You mention your concern about people with sons who cannot or do not want to get involved in farming. Are you saying that you are looking to a voluntary rather than a statutory scheme?

Mr Carmichael: At the end of the day, any scheme has to be voluntary. Legislation could be introduced to have one available for those who wished to take part. There is no statutory obligation on anyone to leave a business, but a scheme that could be taken up voluntarily would mean that the person now managing the business would have the option. There is a transitional period in any business when someone new takes over. A person of, say, 55 years of age could be given the option of early retirement and someone else could take over. There would be no obligation on anybody.

Mr Shannon: We are looking at it as a voluntary scheme. Anyone wanting to work until he was 65 could do so, but if he wanted to take a back seat and give his son or daughter an opportunity to take the helm, that would be possible.

Have you given any thought to the question of funding?

Mr Carmichael: Not really, but we do know that it takes a considerable amount to fund any such scheme. Those operating in other areas are funded 75% from Europe and 25% from member states. For instance, in the Republic there is a scheme under which a person transferring a business can get a basic 4,000 ECU, based on the exchange rate in January. Then he can get 350 ECU per hectare, to a maximum of 10,000 ECU. At 80p to the ECU, that would be £8,000 per annum. Taken on 150 farmers, you are talking about 1 million to 1.5 million. Now, we are talking only hundreds here. There are 27,000 businesses providing some type of agricultural produce, large or small.

A scheme for early retirement is not something that we see in isolation. There are schemes operated by other member states whereby young farmers can get setting-up and investment aid. You have to take it also from the point of view of somebody new coming into a farm business which, because of the age of the manager or owner, may have been run down to a certain extent over a number of years. It may need investment.

We talk a lot about planning for the future, about management and about marketing. These are all issues that have to be taken in conjunction with any retirement scheme. Rather than see it as a retirement scheme enabling people to leave, we should see it as something that can bring people into the industry.

Mr Shannon: That is exactly what we were thinking about. We are looking to bringing more people into the business and giving them more responsibility. They need incentives. Have you any idea how many farmers in Northern Ireland would be willing to take up the option of early retirement if it were available? Is there any indication even among your own members?

Mr Carmichael: Quite a bit of interest is shown by farmers, but an exact figure is not possible. As a result of the problems over the past year or 18 months — indeed, since the CAP reform, with the amount of paperwork that has to be done to sustain income because so much income comes from premiums — older people apparently do not want to do a lot of the work that is involved. This organization has introduced programmes to train people in accounts and record-keeping. We see this as the way forward in management and marketing. We find that the people coming forward are all under 40 years of age. The older people send somebody younger who is going to manage the business in the future.

What we need is a pilot programme or investigation to determine the uptake that we could anticipate if a programme were introduced. Establishing what funding is needed is very difficult until you see the level of uptake.

Mr Shannon: But you would say that a number of your own members would be particularly interested if an offer were made?

Mr Carmichael: Yes.

Mr Shannon: The same thing probably applies to your sister organization, the Ulster Farmers' Union, which has also expressed an interest. The scheme that they have down South — you say that there seems to be a fair uptake. Do you envisage a similar scheme here?

Mr Carmichael: The principle is the same, and the income for the outgoing producer or manager is the same. Apparently the system down there is based on having 5 hectares, and you have to increase your area of land. I do not know if it is necessary to show an increase. We have full-time and part-time producers, and in the South people have to have been farming 10 years and getting at least 25% of their income from half-time operation. We could set in place legislation based on that. A person would have to have derived so much of his income from farming, but it would not be necessary to increase the holding.

Mr Poots: People are the life-blood of any organization, whether a political party, a church or a farm. The lack of young people coming into farming has been a matter of concern for a long time. The 8% or 9% of people currently involved who are under 35 years of age is a very good figure. I believe that it relates to a couple of years ago, before the BSE crisis. In three or four years' time it will probably be 6% or 7%. Young people are just not coming into farming. I see the scheme as a means of bringing some young people in.

You touched on something which I believe needs to be looked into further — pilot schemes and rural planning. A young fellow who would have taken over a 100-acre farm about 20 years ago has second thoughts now. Many farm part-time and hold down another job. But it is necessary for them to have a home in the countryside, and that gives rise to the whole problem of rural planning. The planners say "This fellow is not working full-time on the farm, so he is not entitled to a house." This must be looked at in conjunction with the Farm Retirement Scheme. You talked about a pilot scheme to get more young people set up in farming. I would like to see something along those lines.

Mr Carmichael: First of all, you have to decide not to take an early retirement scheme in isolation. The purpose of any scheme should be to get young people actively involved in the business. In many cases the person who is going to take over is involved in the business but not in the decision-making process. This is a difficulty. You have to look at things from the point of view of the person who currently owns the farm business because he gets his total income from it. The other person will eventually get income from it, but he is looking after his own interests.

Unfortunately, many people do not move with the times. We have the technology. People are using computers and other equipment on farm businesses now, and we have seen that consumer demand will be reflected in farm businesses and in what people produce. The primary producer is the first link in the food chain. He has to realize that he is part of a whole system. As well as protecting the environment, he produces food for an end user. If we do not produce what the consumer demands, we cannot sell. The people who are in charge at the moment may still want to do things. They are entitled to do things their own way, but that might not be in the best interests of the business.

There are two planning aspects. One relates to rural planning. I am thinking of people who cannot reside near their business. That is a problem with heirs. They go where housing is available, and they do not come back. It depends on the type of business you have, but a farmer with a primary-production enterprise of suckler cows might need assistance at any time. He might need somebody beside him. If that somebody has moved away, he is not at the farmer's beck and call all the time.

Then there is the planning that the Department wants to do for the future. We do not plan just for this year. We need a vision of things down the line. In many cases, things that are planned are not done. People have ideas about what they might want for the future, but they do not have any power. At the moment everything is stacked against young people entering farming.

Mr Poots: A lot of that is down to the farmers themselves, of course. A young lad comes home to farm, and he is thrown maybe £20 or £30 at the end of the week, instead of being paid properly. He is given no responsibility for anything. Perhaps the likes of yourself and the Farmers' Union should encourage farmers to correct this.

Mr Carmichael: I accept that, but you have to bear two things in mind. Many businesses have been run by people who are now 55 to 65 and are not taking what you or I would regard as a reasonable income to live on. If they were in industry they would be earning a lot more. One of the difficulties is that the person who is there to take over the business eventually cannot be fully sustained by it at the moment. We all know people who are getting pocket money to go wherever or do whatever they want at weekends. If many farmers were to sit back and really look at their incomes, maybe they would get a shock. It is not always possible to pay wages or to set up a wage structure for a family member.

Mr Poots: It is difficult for a young lad to go out at the weekend and tag along with mates who are earning £120, £130 or £150 a week.

Mr Carmichael: Where a person has to go part-time or seek employment somewhere else until he takes the reins of the farm business he gets used to a good income from another source and may not want to lower his standards — if that is what it would be. There are sacrifices to be made by anyone running a farm business.

Mr Poots: It is my belief that in the next 20 years we will see many more part-time farmers.

Mr Carmichael: That is what we too envisage.

Mr Poots: The only people coming home to farm are the young dairy men. Not many lads are coming home to beef or sheep farms.

Mr Carmichael: If you look at the incomes generated by those farms you will see that they could not possibly come home. They would not enjoy the lifestyle of their peers. The farming business would not sustain it. There will be more movement to part-time farming, and it will happen throughout Europe. The 8% that we have talked about represents the trend throughout Europe.

Mr McCarthy: The young people who have second jobs will probably have a pension, so what we are talking about may not be so relevant. The farmer's son who has a job outside the farm may well have pension provision.

Mr Carmichael: That is not really the problem. The problem is the position of the present incumbent. It is not relevant whether the person coming in has pension provision. Support for the person who is going to hand over the business is what we are concerned about.

Mr Clyde: It is the farmer who is giving up who needs an income. He has probably worked all his life and put nearly everything he has made into the farm. He will need a decent return until he can draw the old-age pension.

Mr Poots: Under the current system farmers have to hand over the lease of the property to their heirs. Many are hesitant to do that in the current climate because the spouse is entitled to half the property if there is a divorce. Many farmers are reluctant to hand over to a son or daughter in case the marriage breaks down and the spouse leaves the place.

Mr Carmichael: Leasing would dispose of that problem to a certain extent. If a person hands over the freehold, he gives up the title deeds. But you can lease the land in these agreements. You would write that into legislation because a problem could arise. We have discussed this within the organization because we know of situations where there are such problems. But it does not entail handing over the full property rights. Every member state has its own way of running things. In the Republic, people can lease land to increase their acreage because of the 5-hectare thing, but you do not have to hand over full title. The person has to agree to farm for five years or the length of time that the other person receives the pension. Something which would apply, I presume, anywhere is that when you get to the age for a state pension, that income figure is deducted from your early-retirement pension. Perhaps there could be an equal role for women who do a lot in the agriculture business. They know more about the paper end of the business and perhaps about staff.

The Early Retirement Scheme should not be looked at in isolation. We must build in other aspects. Discussion with Department people about management could include these. A person taking over a business might need support in terms of either management or finance.

Mr Gaston: I have heard of retired New Zealand farmers making some sort of profit-sharing arrangement whereby the young men step in and do the work. I do not know whether it is a private arrangement or whether there is a scheme.

Mr Carmichael: I do not know. We all hear a lot of talk about what has been achieved in New Zealand. But nothing is achieved anywhere without cost to quite a large number of producers who were there before the change took place. People quote the New Zealand situation as a panacea, but the drop in the number of farmers indicates that what has been achieved has involved cost.

Here, attachment to land has to be considered. This is why the option to lease land is perhaps better than handing over. You might be amalgamating dozens of farms. Leasing, I should think, is the preferred option.

Mr White: Do you have any information about how other countries introduced early-retirement schemes, how they were accepted and the mechanisms involved?

Mr Carmichael: There are people who have farm businesses on both sides of the border. It is in working with some of these people that we have become actively involved. The programme in the Republic is the only one that I am familiar with.

Mr White: Has it worked well? Has it been well received?

Mr Carmichael: It has. There has been quite a good uptake. People tell us that there is a lot of legal work to be done to get onto the programme, but the person who is retiring has the possibility of getting up to, say, £8,000 for a year. That could be 10,000 ECU, depending on the January review. The problem that has been discussed down there is amalgamation. Some people say that we are going to have fewer farms if holdings have to be increased. This is seen by some people of the older generation as a problem. I do not know whether it will be in the long term, but holdings are having to be increased.

Mr Shannon: The document that we got this morning I saw at the Balmoral show. You are one of the participants in Family Farm Development Limited. Is this the umbrella body that would push the idea? You have talked about the different opinions. Obviously, a vast number of people will need to be involved in different aspects of this. From what I have read and seen, we seem to have here an umbrella organization that could galvanize opinion and bring forward a scheme. You have said that there is a lot more work to be done. Is this the organization to do it?

Mr Carmichael: Family Farm Development is seen as having a signposting role. It deals with farms of between eight and 40 ESU — roughly, between 20 and 100 suckler cows. Family Farm Development field staff will try to visit all farms within the next two years to see what is happening on the ground. Are farmers aware of all that is available to them? Are they interested in improving management skills? Are they interested in planning for the future? Then there is group strategy. Now that the large supermarkets are demanding this, that and the other, people are going to have to co-operate. Family Farm Development will be directing people to various Departments for planning, social and other purposes. I am on the board of the company. Its role will evolve as people get out there and see what is needed. The team are only just on the road. The launch will be tomorrow.

Mr Shannon: Do we need a body to bring it all together?

Mr Carmichael: Taking the industry as a whole, this is not a problem, as we see it. We are talking about individual farmers, but we have got to look at this in the context of agriculture as an industry and the income from it for the province. From that point of view, it is an industry problem. We are taking it down to grass roots when we talk about individuals, but it is something that people will have to get together to promote, to see what is necessary, to see what the cost would be and, perhaps, to run a pilot. Indeed, Family Farm Development, on visits, might get suggestions for an early-retirement scheme.

Mr Poots: Would it be useful to put it to the Government that Northern Ireland as a whole should be used for a pilot scheme for the United Kingdom?

Mr Carmichael: We would definitely be agreeable to that. Having discussed it, we think that we should get a chance to pilot this or to try to have a programme developed to see what they would be taking up. It is only part of the planning for the future. Many things are going to happen. You have talked about part-time employment. There will have to be changes in farming practices. People may have to look at management. They may have to look at what stock they have now and consider what is right for the future. This is only one aspect of what has to be done.

The Acting Chairman: Mr Carmichael and Ms Cassidy, thank you very much indeed for coming this morning. We will be in contact with you regarding our report.

Mr Shannon: Maybe Mr Carmichael and Ms Cassidy could furnish the Committee with some ideas. You said you were at a very early stage of getting your strategy together. When you have it formulated could you notify the Committee? We would be pleased to receive your submission.

Mr Carmichael: There is a document that we are studying at the moment. Produced in, I think, September 1996 in Brussels, it is about young farmers in the province and success in European agriculture.

Mr Stewart: Could that be passed on to Mr Barnes?

Mr Carmichael: Yes. I will get a copy for you. It deals with what is available. There are many headings, including depopulation and decline. Investment aid is one of the problems at which Europe is looking at the moment. I will leave you a few pages of thoughts, based partly on this document. We are also preparing documents for CAP reform and proposals that we are putting forward.

Mr Gaston: There is a contrariness running through the whole thing. Depopulation, rural planning, hours, the retirement or part-time farmer — the situation needs to be taken in its entirety.

Mr Carmichael: We did not look at this from the point of view of somebody retiring. That is what I was trying to get away from at the start. Reference to retirement might lead some to believe that you are trying to get rid of people. It is not that. It is a question of getting succession to maintain populations — getting somebody who is going to stay. If you do not do it in time, people might not come back, and that would lead to depopulation. But the plan for early retirement cannot be taken in isolation; it must be taken as part of a complete package.

Mr Gaston: But where is the individual to go? Will he be allowed a retirement bungalow from which he could help the farmer?

Mr Shannon: It is a chicken-and-egg situation?

Mr Carmichael: Catch-22.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 11 September 1997

MINUTES OF EVIDENCE

on

AGRICULTURE ISSUES

Witnesses:
Mr H Kirkpatrick and Mr I Titterington
(DANI — Agri-Food Development Service)

The Chairman: Welcome to our meeting and thank you for attending. We look forward to hearing your presentation.

Mr Kirkpatrick: Thank you for giving us the opportunity to come and speak to you.

You have already been given some background information on the Department's structure and its aims and objectives. To set the scene, I will talk about that, and then Mr Titterington will give you more details on the colleges and the courses — that type of thing.

I head up what is known as the Agri-Food Development Service. Just to remind you, the Department has about five major areas: science, veterinary, agri-food development services and two administrative units, one dealing very much with policy, and the other with rural development and finance and personnel, headed up by Mr Danny McNeill who was with you yesterday. So that is where we fit into the scene.

Within the Agri-Food Development Service there are three major management units — a Food Service, under which comes Loughry College and the others that we are focusing on today, an Agriculture and Horticulture Service, with Greenmount College and Enniskillen College reporting, through Greenmount, to me and, finally, an Agricultural Development Service which consists of the people that are out in the counties.

You got this "purpose statement" yesterday; I do not want to go through it in detail, but there are a couple of points that I wish to highlight so that we are all speaking the same language.

We start off there to promote — and that is putting it fairly crudely; you could use other words such as support, assist, help and serve the whole industry — but we do not actually do things. We do not manufacture; we do not go into production. That is for the industry itself, and it is our job to help them. The reason we use the word "promote" is that we want to be seen as being pro-active, not just sitting backing helping. We are trying to promote and inject something into the industry.

As I see it, there are three broad areas in which we can help or promote. The first is financial incentive schemes, and I am sure you know about that one. There is also the whole area of quality assurance. This is particularly important, and it is considered, pretty well throughout the world, that government bodies are probably the best people to monitor quality assurance — particularly in terms of food safety, and that type of thing. Thirdly and finally — and this is where we come in — is developing the competence of the people who are in the industry so that they can help themselves and are in a better position to provide sustainable economic growth.

Another word that I want to highlight for you is agri-food. It is a word that we coined probably five or six years ago. It is not in the dictionary and has really no proper definition, but what it means is that there is a food industry out there and in addition to the food industry there are some agricultural pursuits which do not necessarily produce food but still come under an agriculture heading. I am thinking of such things as forestry — for example, you could be growing crops for perfumes or willow biomass. It is important for us to include these things because previously when people talked about an agricultural industry, what they really meant was a farming industry, a food-production industry and a food-processing industry, whereas we now perceive it as just one food industry.

I have a slide that will highlight this a bit better. There are inputs to production; there is the whole compound of feed fertilizer, seed service, pesticides and all you can think of going into on-farm production. The on-farm production can then go direct to the consumer by way of farm gate sales, auction marts, processors, wholesalers or distributors. There is a whole chain there and it is now referred to as the supply chain. You will probably hear later on that we now have courses in supply chain management. That is one of the big issues at the moment — trying to manage from the inputs stage right through. You can see how important this is; consumers are interested in what herbicides and pesticides are left on their food and in what is being put in to produce the final product. It is a complete chain and one industry; that is the way we think about it and talk about it. Just in case there is any confusion, when we are talking about the industry, we are referring to the whole food industry. That does not mean that we do not see on-farm production as a very large part of what we do, but it has to fit into the whole chain.

If it helps to mention figures, you are talking about 60,000 people being involved or employed in some way in farm production. Admittedly, not all of them get a full-time income or anything like it, but they are involved. If you take the processing side plus some of the compound feed fertilizer inputs, you are talking about 21,000 or 22,000 people, and there are as many as 15,000 to 20,000 in retailing distribution alone, so you can see the importance of a lot of these areas.

Another interesting aspect is that some of the retailers are not talking now about the supply chain but the demand tube. The reason for that is to establish the line of thinking that you should not just start at one end and try to put something up the line; you should be thinking of the consumer right through the whole process. If the consumer does not want it, nobody back there is in business, and that has been one of the strategic priorities of the Department for the last five or six years.

If you want a competitive agriculture or agri-food industry, there are two things that are absolutely essential: one is consumer orientation or end-customer orientation — in other words, you must always think of whom to back in terms of the end customer. Even if you satisfy a retailer or a processor, that does not necessarily mean that the consumer wants it, and if the consumer does not want it, then nobody is in business.

The second thing that we see as vital is integration — a partnership, co-operation within that whole supply chain. These are the sort of attitudes and values that we are trying so hard to get across to people.

Turning to the aims, the only point that I want to raise here — and again this is in the first sentence of the purpose statement — is that there is a total interlinking between competitive industry and protection of the public and animals, conservation, the environment and rural development. They are totally interlinked. I often say to people that you cannot have rural development if you have not got a rural economy. If you are not going to generate money out there, there is going to be no development and you cannot destroy the countryside at the same time. You have to take account of that and take account of how you handle animals. People say that this is like a seamless garment, and we all have to try to work together. It comes back to this supply chain. The whole message today is that we have to work as a team; we cannot sit in splendid isolation, each of us doing some little thing; we have to try to work together to produce what the end-customer or the consumer wants.

To be a bit more specific, what is our unique contribution to the Department of Agriculture's aims? How do we fit in? We have outlined some points here, in some order of importance. The first is assisting the development of a competitive agri-food industry in line with market opportunities — in other words, we have to think back to the consumers. What are they looking for? What are the requirements? Where are the opportunities? So, we can be working on those areas. We look at developing people's competences and values, and we ask ourselves how we can do that through formal education, training programmes, business management, technology and market development thereby maximizing the added value and employment opportunities.

I want to pick up on one particular word there — and please feel free to challenge me if there is something that you do not understand. We tend to use certain words on a day-to-day basis, and they do not necessarily mean the same to everyone. Competence is the big word that is used now, and education. I am sure you have all heard of National Vocational Qualifications; that was the buzz-word when they were introduced. You want there to be competent people in an industry. What is meant by competence? You are trying to combine knowledge which, in old-fashioned terms, if you like, is education with skills, which some people thought of as training plus work experience. That gives you competence which is the ability to do the job. It is a combination of those three, and it is important that people understand that. Believe it or not, the agri-food industry is the only place in the whole of the education system where education and training are combined.

The Department of Education is responsible for FE colleges and the T&EA, so-called, for training. That is not necessarily a bad thing because they have come to the same conclusion; you need to have a mixture of knowledge, skills and work experience. When people talk about training, they generally think that that means a high level of skill and maybe a smaller level of knowledge, whereas when they talk about education — about university — they tend to think that

that entails a high level of knowledge and little skill. It is not straightforward; it is not easy. Think of a doctor; he gets a lot of knowledge at university, but when he has finished his course, he has to come out and practice on you and I, as far as operations are concerned, he has to learn that skill.

We are all trying, more and more, to combine those three areas in the whole process so we do not separate education and training and work experience. They are all combined in our courses and work experience is built in. Of course, that is something that the Government have been trying to do for a number of years; that was what polytechnics were set up to do — to bring a work experience element into all of this. The redbrick universities are still perceived as having less work experience and yet that is vital, as you know. Somebody can tell you about something, and you might be able to do it once, but unless you do it a lot of times you do not actually know how to do it. Competence can be at all sorts of levels — from a basic skill right up to management, business, entrepreneurial skills.

Coming back to our contribution to the Department, you can see that we also contribute to environmentally-responsible farming through education and training — that is, obviously, very closely related to the first point. We also have the job of purely implementing. We are not involved in the policy; there are policy people, but I have a role in implementing through inspections — quality inspections — in, for instance, the potato industry. In addition, because we are technical people we give technical support and specialist advice to the Department of Agriculture and other Government Departments.

I am sorry for that long introduction.

Mr Titterington will now tell you a bit about our formal education and training programmes and give you details of what we do at the colleges.

Mr Titterington: Good morning.

I would like to start my presentation on our education and training programme by lifting a point which Mr Kirkpatrick made about partnership and working together. In terms of education and training, we are very much working with industry and seeking to satisfy industry's needs; the Agri-Food Development Service works closely with industry, both on a national level and within the province, to agree the standards of competence required. What exactly do employers require people to do and to what standard?

We work with industry to identify the education and training needs and develop programmes. Any programmes that are developed by our colleges will directly involve representatives of industry and specify what should be included in the education and training programme. Industry helps us to deliver the programmes either by providing work experience, facilities for training or actual specialist input into courses. It also works with us to deliver courses on a day-to-day basis.

Finally, and most importantly, the industry takes on a quality assurance role. Representatives from industry will come in to see what the trainees are doing on all our courses; they assess the output of those courses and tell us whether we are doing the job that they require. So, industry is involved at all levels. At the inception of any course or programme they decide what they want and, at the end, tell us whether we are delivering it and what we need to improve.

Mr Kirkpatrick's point regarding people's competence is important. When we talk about competence we are, perhaps, thinking first and foremost about technical skills like how to milk cows, but people in the agri-food industry require much more than that by way of competence, and that applies to all industries.

We started with developing management skills — enterprise management, farm business management. Looking at the agriculture side, we need to develop core skills like literacy, numeracy, problem-solving, the ability to communicate with people, use of computers — IT is now regarded as a core skill. Attitudes and values are vitally important — the attitudes and values of people with regard to — for example, the quality of food, food hygiene and environmental conservation. It is important for us to seek to develop people's attitudes and values. Personal traits, self-confidence and self-reliance are all-important and, through education and training, we seek to develop these aspects in people and improve their motivation. So, when we talk about competence, we are not talking about simply teaching somebody to milk a cow, we are talking about knowledge, skills, understanding, work experience and a whole range of areas; we are trying to develop the entire person to perform effectively in employment.

Before I move on to the courses that we actually deliver, I want to make the point that we are very active in trying to encourage people into our industry and ensure that they take up education and training so that they are prepared as well as possible. We have brought with us some examples of the promotional materials that we issue — for example, 'Courses Directory' goes to all Training and Employment Agency officers, to all careers teachers in secondary schools and to the AFDS staff working throughout Northern Ireland — a range of key people who can see the courses that our colleges provide. You must produce high-quality materials that stand out. It is no good throwing out two or three sheets of A4 paper, tightly-typed; nobody will look at it. You have to make the thing attractive and send it to the relevant people — people who can help to recruit employees into our industry. I have also got examples of college prospectuses, and I can leave a few copies if you think they would be of use to you.

We have quality materials and extensive press coverage. We try to get good quality press coverage in order to maintain a high profile for our colleges and all their activities. We run open days and careers conventions — all sorts of things — to try to attract people into our industry and ensure that they get the preparation that they require to work effectively in it.

We also have very comprehensive counselling and careers advice whenever somebody shows an interest in any of our courses or in coming into the industry. If they are young people, we want to see them and, if possible, their parents to discuss their requirements, their background and their abilities to ensure that they are sent down the correct route for their future employment and future business needs, if they are from a family farm. That is continually reviewed throughout the course and when it is completed, and we have an employment contact service. Employers contact the colleges to say that they have vacancies and that they need somebody with such-and-such a qualification, and the colleges can make their students aware of what the possibilities are. This service is fairly widely-known and fairly widely-used, and we regard it as being very successful.

As far as our course provision is concerned, we have developed this considerably over recent years. Full-time provision is on the left, part-time is on the right; we have flexible alternative routes whereby it is possible for people to come in at the lowest level and move right up to the highest by studying full time, part time or a combination of both to satisfy their own particular requirements.

We have the National Certificate, a one-year certificate course in agriculture which has been run by our colleges for many years. On the part-time side, we have NVQ2 — National Vocational Qualification at level 2. This is mostly concerned with technical skills and lower-level core competences. As you move up you get more into management, marketing and technology — the higher-level competences tend to be in the higher-level courses.

Our colleges run courses resulting in a range of qualifications from NVQ2, the lowest level, up to the Higher National Diploma which is beyond degree standard but concentrating very much on developing the competences required in employment. Queen's University can, obviously, take you further beyond that. We go to Higher National Diploma standard on agriculture, horticulture and equine studies, and up to degree standard in food technology. At Loughry, we also have post-graduate provision on communication — change management — a course for people who want to become lecturers or advisors, work in rural development or deal with people as managers in food companies.

That summarizes course provision by the colleges. Agriculture is delivered at Greenmount and Enniskillen, horticulture at Greenmount, equine studies at Enniskillen and food and communication at Loughry.

Another thing I should have mentioned is that, as far as agriculture is concerned and, to some extent, horticulture, the lower-level part-time courses are available not just at the college campuses but at out-centres, so people can study NVQ2 and NVQ3 part time.

Looking at the colleges' performance in terms of numbers, this is the overall story for the last 10 years. The total number of students enrolled has more than doubled over the last decade — a performance that we are proud of, and one that we certainly feel will continue. We feel there is an unsatisfied need for education and training and the feedback that we are getting from industry suggests the same.

The picture is more or less the same for all the disciplines. It is sometimes argued that agriculture is a declining industry, but that is not the case. We have had a fairly steady upward movement on agriculture and the others over the last decade — equine studies, communication, food technology and horticulture have all been moving upwards. That bar drop perhaps masks one very important point that I want to make to you. People are going on to higher-level qualifications because we have good flexible progression routes. People are not doing just the one-year course and saying "That is all I need." because it is not, and they recognize that. They are now prepared to go up to the higher-level qualifications and more of them are taking the Higher National Diploma Course which we feel is important for the industry's future. Our people should be trained to the highest possible level. So, as well as increased numbers we have more people going on to higher-level qualifications.

Regarding the performance of our colleges — and, again, this is something that I want to bring to your attention — the numbers of people are going up, and the performance of our students is very impressive. Ninety-five percent of students enrolled in full-time courses complete their course; they achieve the target qualification and progress to employment or further education within six months. That, I think, is quite impressive. Eighty-five percent of students enrolled on part-time courses complete their course and achieve their target qualification. We understand that both of those figures are much better than the norm in FE and HE. These figures do not tend to be published across the United Kingdom; we cannot find corresponding figures in respect of agriculture and horticulture colleges on the mainland. We believe that these are very good figures and we want to keep our performance at that sort of level. In order to do that, we undergo a thorough evaluation and review of all our course programmes. We are continually looking at them to ensure they are relevant to the needs of industry and students and attractive to industry and students, and we must be reasonably successful at doing that to get the sort of retention rates and completion rates that we do.

We are also adopting innovative approaches to teaching. One that I would like to draw to your attention is at Greenmount College where Higher National Diploma students specializing in dairying actually managed to operate a small high-genetic merit dairy herd for 365 days a year. They were totally responsible for the management and operation of that dairy herd for 365 days. We, obviously report to a management committee which very much involves industry — top people in the dairy industry in Northern Ireland are on that committee. The students have to report periodically on what they have done and what they intend to do. They have to get approval from the management committee but they are responsible for running the herd, and they do so very successfully every day of the year. This is now also being done with pigs, sheep and beef cows and, in Enniskillen, even with a small group of horses. The students are actually doing what they would have to if they were working in the industry, either on their own or for an employer.

I have concentrated largely on the full-time and part-time courses which are targeted at new entrants, but we also target people already in the industry who may want part-time courses and short courses. We can run short courses — anything from half-a-day to 10 days — on any topic. Normally they are sub-components of the other courses. The competence that we are trying to develop is the same whether it is for new entrants to the industry or people already there. The competence is the same — to have a successful business.

That is something we have to concentrate on in the future. A high proportion of people out there in the industry still do not have a formal qualification — a vocational qualification. You could say that that, in itself, is not a means to an end and it is not, but people could be helped to develop their competences by way of short or part-time courses, or by other means.

For people who are in the industry, as well as short courses we have various other programmes with AFDS, again all targeted at developing people's competences and their value in industry. Areas such as business management are covered, developing business plans, implementing business plans in the industry and on farms, countryside management, marketing and adopting new or appropriate technology. That is important because in the case of a particular farm, for example, it might not be brand new technology that will move that business forward, it might be the adoption of something that is appropriate, something that may have been on the go for quite some time but had not been introduced to that particular business. The point I am making is that when young people have come into the industry, after they have had their initial training and are actually functioning in all sectors of the industry, we provide support and further development of their competence values through these programmes.

That concludes what I wanted to say to you about education, training and the other support that we give to the industry.

Thank you very much.

The Chairman: Does any member wish to enrol in a course?

Thank you very much, gentlemen. Any questions, members?

Mr Masson: You mentioned a figure of 95% that move into employment, is that in Northern Ireland, or is it dispersed throughout the United Kingdom?

Mr Titterington: It could be anywhere, although the vast majority, we believe, stay in Northern Ireland.

Mr Shannon: With regard to marketing, you are saying that people get involved in selling the products that come from agri-food. Is there a larger take up in that type of education requirement? Do you find that that is the case?

Mr Kirkpatrick: Yes, but there are a lot of ways in which you might input into marketing. There are formal courses in communication; some salesmen may do a communications course and that is about how you interrelate to people and sell to them — that is sales. But we see marketing as a function which runs right through the whole food supply chain and brings it together, so there is a course on food supply management which is part of marketing.

A third element concerns people already in the industry. We have various ways of helping them, for example, forming marketing groups and trying to give support to them. In the past there was some support for marketing groups on financial aspects and we came in and helped them develop their confidence in that area. We helped a group link up with a supermarket outlet or a processor. For example, we had presentations — not just in recent times, I am going back three or four years — to the likes of Safeways in which we took small processors along as a group to show their product. They would not have had that chance as individuals but by bringing them as a group we were able to make a presentation along with them. In that respect we work closely with the body called “A Taste of Ulster” which is supported by the Department of Agriculture, IDB and the Tourist Board.

Mr Shannon: I was thinking of the co-operative-type idea but I think you have answered it in your presentation. Sometimes farmers can be expert at producing a product but not just as expert at selling it. I was wondering what role you have to play in that, but you have answered that question.

Mr Kirkpatrick: I will pick up on one thing, because you will want to be very clear. I said the word ‘co-operate’, not co-operative. We do not have anything against co-operatives but that is not the only way a group of people can help each other. You can get co-operation amongst a group of people through a much simpler mechanism, or it can be achieved by a processing group or a retailers’ group. You are still getting the co-operation.

Mr Shannon: I used the term “co-operative” in a general, rather than a specific sense.

Mr Kirkpatrick: But there is no reason why it cannot be a co-operative; nowadays there are other ways of achieving that if, maybe, a group wants to form a limited company to do it.

Mr Shannon: So you can help and give advice towards that?

Mr Kirkpatrick: I shall give you an example of how we combine a lot of things. We have been very much involved with strawberries and northern growers. I do not know if any of you are aware of that grouping. It started off when some of our people went to Holland and the south of England and saw what was happening by way of extending the length of the growing season for strawberries. We were aware that the supermarkets here were importing a lot of strawberries and we thought that we could be in that business — that brings me back to market opportunities which is where we start. We brought Marks and Spencer along and they said "Great. We would be interested but, quite frankly, our consumers would not eat those strawberries." We were a little surprised and asked "What do you mean?" They said "They have not got the proper taste for our customers". They then agreed that they would give us the blueprint for the proper taste. These strawberries are fed by liquid but the taste is a balance between the phosphates and the potassium that are being put in. It is nothing to do with the nitrogen; it is the phosphate balance that you get. So we were able to get the taste properly put together and developed the competence by working with six or seven people who were interested in doing that until, finally, they got together. They have supplied up to 30 tonnes of strawberries to the supermarkets in three or four years.

That is an example of how we try to work with people in the industry. This is where we have changed our approach — I, personally, think for the better. It is not enough that we go in, give a bit of business management advice and come out again; that does not take us anywhere and all it solves is the immediate problem; it does not help in the longer term. Our whole objective is to build up the development of people themselves so that they can take something on, develop it, and then we can pull back.

Mr Shannon: Maybe this is an unfair question, and you can tell me whether you wish to answer it or not, but I sometimes think that the people in the IDB are not the right ones to promote the finished products from agriculture or farms. Do you feel that this should be done by people who have a deeper knowledge of farming? Sometimes the IDB is more concerned about bringing in some company from south-east Asia that is going to create 300 jobs in one go. We have the ability here, I believe, and I am sure you will agree with me that we have the ability to create jobs here, albeit on a smaller scale, but lasting jobs, nonetheless. How do you feel about that — without criticizing the IDB?

Mr Kirkpatrick: I have no criticism of them. At the end of the day, the Government cannot do anything. The Government cannot sell a product; that is up to the people in the industry, and the Government can support them. You have to look at it from the point of view that we are all the same Government; we are all supposed to be on the one team, playing in the one field, and if we can give the industry some assistance, we should do so. There is a promotional role for the Government, in the wider sense, but only in what we call "genetic promotion", in other words, you can support other people, you can say you want to promote Northern Ireland on a general basis as a green, pleasant land of good food — you can do that, but you cannot actually sell, so you have to support the people behind the scenes. That, in fact — is what we do. We are now working with the smaller producers and processors through "A Taste of Ulster”. We are supporting a speciality food group which is trying to take speciality foods through. Nothing is straightforward; there is no simple answer.

Take Moy Park, for example, they have rarely joined in any of our food promotion activities. They have joined in some but certainly not in the United Kingdom, and the reason for that is that they do not sell under their own banner in the United Kingdom. They sell through Tesco, Safeway, Sainsbury’s, or whatever, and they cannot try to promote themselves on top of that. It is the smaller companies that are selling under their own label and trying to get in initially. As I said, we are doing that through “A Taste of Ulster”. That started off, primarily, as a quality stamp for restaurants — high-quality restaurants and food outlets in Northern Ireland. Those people came back to us and said “Look, you are telling us to use Northern Ireland food. You are telling us to use Barbary ducks. Where do we get them? There is nobody there doing them.” So we began to realize that there was another element to this; you had to bring together the people in the speciality food groups, try to help them promote their product and allow them to grow.

Even the people in the IDB admit there are two ways of operating. They are trying to bring jobs in, but they know, we know, and everybody knows that the best jobs are the ones you grow at home; but it is a slow process and one that is long term. You have to try to get the balance. I am quite sure that individuals can argue, from time to time, that we have not got that balance right, that we are putting too much money into inward investment and not enough the other way. I do not see it that way. If the industry is there and is coming forward then we are doing our best. I suppose that is a bit arrogant, but I do not think that anybody could quote one example of an occasion when we have not sought to assist them in promotion and marketing if they have come forward. Our job is to get them to come forward.

Mr Shannon: Are you are really saying that IDB has a role to play alongside you? I feel that the IDB has, perhaps, too much on its plate and that this particular type of marketing was not being given the prominence that it should, that the IDB is looking for the big fish.

Mr Kirkpatrick: No. I will give you an example. If I wished to be critical — of course, coming from the other side I would be critical of industry not coming forward — but when we go away on food promotion activities with “A Taste of Ulster” or with IDB, we are lucky to get, at the most, about 16 or 17 companies to go with us, and, very often, you are really handholding and working hard to get even that number to go.

Mr Shannon: I have one last question, about food technology. Your chart showed that there has been an increase in the numbers of people who have enroled for courses. Do you see it continuing to grow? We are all concerned about controls, the food we are eating and what is being put into it. That is something you can see growing all the time, but is there a limit to it? What worries me is that constraints could become too stringent and producers could find themselves in a position where it is almost impossible to meet the requirements of, dare I say it, the European Union.

Mr Kirkpatrick: There is a bit of that. I come back to what I was saying to you earlier about consumer orientation. Whether a consumer is right or wrong you have to come up with the goods if you are going to sell to them. We try to make sure that that is done and try to give the consumer confidence in what we are doing so that they will buy our food.

I see tremendous growth in it. We sometimes think of the farm production side as being a lot of people who have not attended courses or who do not have many qualifications, but it is exactly the same in the food processing side. One could argue that many people in that industry are doing very basic jobs but they have to have the right mental attitude to food hygiene. For example, you may have recently heard about some of Tesco's meat plants in England where when a bit of meat fell on the floor, somebody lifted it up and put it in. That is understandable; if the same bit of meat had dropped on your floor at home, you would have lifted it up, run tap water over it and you would have been no problem with that. But the public's perception is that something which has been on the floor cannot be put in. You have got to try to educate and train all of your people, the whole work-force, so that that is second nature — if it falls, destroy it. There is a lot of work there.

We do not have very many trained people in the industry. I cannot give you the very latest figures, but, say, five, 10 years ago we looked at people at management level in the food-processing industry and many of them had qualifications. From memory the figure came out at about 1%, it was 10% in the milk industry and 0.5% in the meat industry. That reflected the fact that Loughry had been training people for the dairy industry since the early 1960s. That shows you the long-term nature of what we do; it also shows you how few people are actually getting qualifications.

Mr Masson: Recently there has been quite a number of cut backs in education across the board in universities and other colleges. How has that affected the education and training programmes that you have been involved with, considering you want to progress and develop the industry further? Is there adequate, matching funding from the Government?

Mr Kirkpatrick: Any of us, in any situation, can say that we never have adequate funding. We could always do with having more money; we can always do more, but we have to set priorities. At the same time we have to improve efficiency; the figures up there show you that we have virtually doubled the numbers over the past 10 years, and that is with the addition of very little extra resources. We are now coming to a crisis situation — you are all aware that comprehensive spending reviews are being carried out by the Government — and one has to decide priorities. It is a balance, as I said. We can assist by giving financial incentives; we can assist with quality assurance programmes; we can assist through the development of peoples' competence.

I would argue that you would get better value if you put an extra £2 million, or whatever, into education and the development of peoples' competence, and gave less on some financial incentives. However, I can understand that a farmer might not be happy when he hears that the financial incentive he receives under some scheme is going to be reduced and the money redirected. We are trying to do the best we can with the resources we have. We could certainly make good use of extra resources, but we are in competition with everybody else.

Mr Clyde: You mentioned that there would be a specialist dairy herd at Greenmount — the cream herd, is it called — is that on the ground yet?

Mr Titterington: It is a sub-section on Glenwherry Hill Farm where the students are responsible for managing both beef and sheep. They are not yet doing this on a 365 day a year basis, it is more enterprise management with a certain amount of manual skills, and there is staff assistance to look after the stock on a day-to-day basis.

Mr Clyde: I heard that the beef herd was going to be at the Abbey Farm. Cattle were to be bought from England to set up a new beef herd, and it was going to go on to the line something the same as the cream herd.

Mr Titterington: There is a medium-to-long-term intention to have it on Greenmount Farm, but at the moment, it is operating on Glenwherry Hill Farm.

Mr Clyde: Would it be possible for the Committee to visit Greenmount?

Mr Kirkpatrick: We would be delighted if you would come along. You would see it better on the ground and at some time, if you can fit it in, it would be worth visiting all three colleges because each is different. Greenmount has horticulture in addition to agriculture, Enniskillen has equine services in addition to agriculture, and Loughry, as you may be aware, is getting a very big investment this year amounting to almost £8 million in buildings. One is a new food hall which was required primarily because of the changes you were mentioning and the requirement that raw meat should not be in the same area as cooked meat. We had to separate those areas, and that required a new building. We have done that and, hopefully, it will be ready within the next month, or so.

In addition, we have what we call 'incubation units' which we have built partly with funding from the European Union Peace and Reconciliation Programme — it provided 75% — and from the Government who provided 25%. The idea behind these is that companies which have a new product or a new idea that they wish to develop will be able to do so in these small units with central services. Very often somebody who had a good idea went along to LEDU and asked for a small plant or factory in which to develop it. LEDU, quite naturally, said "Where is your business plan? Where is your marketing plan? Do people want this? Can you do it? "But now we have this intermediary bit where, with the support of Loughry staff at all stages, somebody with an idea can come in there, work in a small unit for a period of time, anything from one, two, three months right up to a year, or even two years. They can start producing the product and see what the problems are; they can start marketing, look at the packaging and how it is presented to people, and when that is all worked through, if it appears to be successful, as we hope it would be, they can then go to LEDU and say "Here is our plan. We need a bigger unit. We are ready to move in." He moves on and somebody else moves in.

Those units are also worth seeing, and you are more than welcome to visit us anytime.

The Chairman: You mentioned the high proportion of students who find employment, would you have any idea of the proportion that remain unemployed.

Mr Titterington: Not at the moment. A performance indicator monitor is being built in to future courses. Obviously, they finish at some stage and go into employment, and we tend to refine our monitoring of this to cover the exact point that you are talking about, but at the moment it is not.

The Chairman: We are conducting this review following a series of public meetings that we held at which farmers were expressing their concerns that their sons and daughters were not encouraged to remain on the farms, particularly in the lower income areas. It is encouraging to see the number of students that you have. What is your opinion? Are you optimistic or pessimistic that in the future we will be able to retain our young people on the farms?

Mr Titterington: We are all aware that the industry has been changing — will be changing. I think that we are going to see a tendency towards more people being involved in our industry on a part-time basis. But if people want the farms to make the best possible contribution to their incomes, I reiterate the point that they need to develop their competence to run that business. My personal view is that we will tend to see, particularly in some of the smaller units, people operating on a part-time basis. In the likes of Germany and other European countries you can combine two areas of employment very successfully, and we will still be wanting to help those people to maximize the contribution that the farm business makes to their incomes and to the agri-food industry.

Mr Kirkpatrick: That is why we are building in a flexibility as to when people are in the industry. Going back to the 1980s, when I was at Loughry, I was challenged by the principal of a school in Crossmaglen. He was teaching a certain amount of agriculture before the students left and I, probably crudely, said to him "If you teach them how to read, write and count, we will teach them the agriculture." He said "It is not like that. My boys will leave here wanting to be electricians, wanting to be bricklayers, and they will go and get those skills, but whether you like it or not, they are going to come back home and farm part time. They might do this immediately or later, and if I do not get something into them now they will not have it.

That impressed me, and I think that that is still an important point that we must address. They may go after some other skills, but if they come back to farm — and this is happening all over now with people changing jobs and moving in and out of industries — we want to be able to deliver those competences and, hopefully, we can do it.

The Chairman: Has there ever been an attempt by the likes of the Department of Education or the Training and Employment Agency to try to take over the education side of agriculture?

Mr Kirkpatrick: No. The T&EA was quite satisfied from the very beginning that training in agriculture would be the responsibility of the Department of Agriculture. They had no wish to be involved at all. I think that we have got it right; that we combine education and training — you do not try to separate the two. It depends on the level each one is at as to whether something can be a high skills level or a high management-skills level as opposed to a technical or physical manual-skills level.

Mr Titterington: We work closely with both DENI and DENI-funded organizations, and with the T&EA and their funded organizations. Quite a high proportion of the young people who are coming in part-time to work towards NVQ qualifications are doing it under the Jobskills programme. This is a T&EA programme, and they are getting financial assistance, and other assistance, through that programme.

The Chairman: I have noticed quite aggressive marketing by the colleges on the mainland over the past couple of years. Has that had any impact on student numbers here?

Mr Kirkpatrick: It has had an impact, but we do not look on it as being a bad thing. It would be wrong to think that we possess all the skills and knowledge. With the size of Northern

Ireland we could never hope to have the same range of courses that are available in Great Britain. There are very highly specialized courses in some places. For instance, you mentioned agricultural marketing courses which are totally dedicated to turning out sales people for fertilizer or feed companies. We do have a broader communication course, but it does not focus on that particular subject, whereas somebody could go across the water and do that type of thing specifically.

We know of some farmers who, instead of sending their sons to Greenmount Agricultural College to do an HND in agriculture, would prefer them to go across the water. It is part of their personal development to see how other people do it. That is not a bad thing. I feel that everybody should get out for a while if they can, and we do that by taking students away at various periods. We even encourage work experience outside of Northern Ireland; we encourage people to go to the continent and elsewhere to see how it is done. Loughry College has links with colleges in France, and we have links with Michigan State University for equine courses. Our tentacles extend quite widely and I encourage staff as well as students to see what is happening in the rest of the world.

Mr Titterington: The competition tends to be at the higher level — at higher national diploma and degree level. There are very few who would leave with qualifications at a lower level.

Mr Kirkpatrick: This is because there is financial support at the higher level whereas there is none at the lower level.

Mr Junkin: After students leave a course what sort of follow-up do you have for them? Do you say "Thanks very much for being a student here. Goodbye and good luck", or do maintain dialogue with them? Would you consider using modern technology like the Internet as a way of providing information or gleaning information from them?

Mr Titterington: I mentioned the various levels of competencies such as enterprise management and business management competencies. It is our strongly held view that with the farm business management competencies in particular, students are really only starting to think seriously about them when they are 25 or 30 years of age. This is when there is the possibility of them taking over the farm, or when they are becoming more involved with running the farm. So, we will be very keen at that stage to get those people back either on part-time courses or through evening class. It will be a high priority of ours to develop those competencies in that way.

But we also mentioned the various other programmes. These people leave one part of the agri-food development service in terms of completing their full-time or part-time courses. We will then be working with our development advisers and others out in the field to help them develop their competencies and their businesses. It may not be a formal course, but it involves working with the agri-food development service to try to develop their competencies.

You mentioned IT and, yes, we are increasingly using it in various ways to teach people. We are also developing their own IT skills so that they can use computers at home. They are then able to keep their business and enterprise records on computer. We have a number of very active programmes and we are working with the farmers on this. This is clearly the way of the future.

One of the potential advantages is in the development of high-quality teaching programmes where somebody simply puts a CD into the computer. Some of these programmes can be done to a very high standard now, and they make very attractive learning packages. People work their own way through it, and it can be done either at home or at one of our centres. The other advantages are that they can learn at their own speed and in their own time.

Students who are with us full-time and part-time could also use it as part of their learning. They could go to a computer screen and develop their IT skills which would obviously help with their efficiency and effectiveness.

Mr Junkin: Do you see yourselves developing an encyclopedia of data where people could switch on their computers, press a few buttons and get straight to the relevant information rather than having to go to a library or attend a course? Do you ever see yourselves creating a library like that. If someone were going to develop a new pig house or a new unit and wanted more data and soon they would be able to look it up.

Mr Titterington: We are in the initial stages of doing that now. This year, on a pilot basis, we will have a number of farmers linked in through the Internet to get that sort of service. It will take some time to get everything people might require on it, but we have started trying to go down this road. As you say, this is the way of the future.

Mr Kirkpatrick: As you were saying earlier, if we had the resources we would be able to move faster on that than we are at the moment.

Mr Junkin: I think there is room for expansion there alright.

Mr Kirkpatrick: We are in absolutely no doubt about that.

Mr Titterington: This year we would hope to have, if we are lucky, 150 to 200 farmers on this type of programme. To actually get that up and running and to service it over the next couple of years will be a very major project.

Mr Kirkpatrick: We did get support from LEDU for 110 farmers in the form of a grant towards a computer to link them together to get the programme started.

The Chairman: Thank you both very much, Gentlemen. It was extremely interesting and useful. I am sure the Committee will wish to take the opportunity to visit the colleges as soon as possible.

Mr Kirkpatrick: We would be delighted to have you. You can contact any of us, and we will arrange it for whatever day suits you.

NORTHERN IRELAND FORUM
FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 18 September 1997

MINUTES OF EVIDENCE
(Mr S Johnston, Mr I McKee and Mr I Hunter
(Department of Agriculture))

on

CAP DAIRY REGIME

The Chairman: Welcome to our Committee, Gentlemen. We hope to ask you some questions after you have made your presentation.

Mr Johnston: Good morning, and thank you for your welcome. I am the assistant secretary with responsibility for farm policy, animal health and welfare matters. Mr Ian McKee is the principal responsible for farm policy, and that includes milk quotas. You met him some weeks ago during your investigations into the potato sector. Mr Ivan Hunter is a principal agricultural economist and he has responsibility for assessing the potential economic effects on Northern Ireland agriculture of EU policy proposals, including these ones.

The Committee might find it useful if, at the outset, I were to outline the original features of the Common Agricultural Policy (CAP). From its inception, the CAP has operated on "managed market" principles. What that means is that import prices were set by the Council of Agriculture Ministers at levels well above world market prices in order to maintain internal-market prices in the face of world competition. As a result, exports could only take place with the aid of subsidies called export restitutions. In the internal market, intervention was made available for the major commodities. Surplus produce was taken off the internal market — everybody will be aware of such things as the "butter mountain" and the "wine lake".

The high prices paid to farmers that were generated by this system led to increased levels of production, and the quantities of commodities on the market soon exceeded the European Union's domestic needs. As those surpluses increased, intervention became a regular outlet for many products, and that was certainly true in the dairy sector. At one point, we had very large quantities of butter and milk powder being placed in intervention stores.

Various efforts have been made to reform the CAP but the one that had the biggest impact on the dairy industry was the one that we are going to talk about today: the introduction of milk quotas in 1984. These placed an upper limit on the quantity of milk which could be delivered, without penalty, by producers to dairies. Any deliveries in excess of those quotas attracted a levy which was well above the price that the producer would have got, so there was a financial penalty to be paid for exceeding the quota.

Milk quotas are still with us and continue to provoke strong emotions as we in the Department know only too well. Those producers who received a milk quota in 1984 gained what, for them, turned out to be a very valuable free asset. In addition, as the United Kingdom's quota allocation was less than its self-sufficiency level for dairy production, the advent of quotas meant that there was a guaranteed sellers' market. So the dairy sector has become what you could describe as the "jewel in the crown" of Northern Ireland agriculture. It is no wonder that many local dairy farmers would like to see a continuation of that system.

However, from the Department's point of view, the milk quotas regime has a number of quite serious disadvantages. The main one is that it freezes the amount of milk which each member state can produce. That means that normal, free-market principles cannot operate. In other words, the United Kingdom, which can produce milk at a competitive advantage, cannot get enough quota to do so and has to import milk.

The second thing is that quotas effectively exclude potential new entrants, and this is something of which we in the Department have most experience. People want to get into dairy production but cannot get a quota to allow them to do so.

Finally, and, indeed, in common with the other CAP commodities, the present dairy regime has kept the price of EU milk and dairy products well above world market levels. That has been to the detriment of the consumer and the EU taxpayer who, obviously, have had to subsidize the cost of the regime.

In an attempt to make a start at rectifying those problems, the MacSharry reform package of 1992 sought to curb the CAP budget by reducing institutional prices to which market support measures were linked. However, the success in reducing the level of intervention stocks really had more to do with improved world market conditions which allowed the Commission to dispose of much of the produce which was held in store. Another feature of the 1992 CAP reform agreement was to extend the life of the milk-quota system until 31 March 2000. At this point in time that spells the end of the milk quotas regime.

However, as that date gets nearer a number of pressures are causing the Commission and member states to consider further and significant reforms of the CAP. Even if there were no external pressures, there is felt to be a need for reform for its own sake because surpluses have started to build up again.

There is also a wider view that the CAP represents a misappropriation of resources. Some of you may have seen reports of the Foreign Secretary's speech in Hamburg last week in which he pointed to the fact that unemployment in the EU is approaching 20 million. Against that background, the system under which nearly half of the EU's £60 billion budget goes to 4% of the population is unsustainable. So there is a political desire to do something about that.

Another pressure for reform is the prospect of the enlargement of the community to include the central and eastern European countries. Some of those countries have considerable agricultural production potential which could exacerbate the problems that I referred to and add considerably to budget costs unless the CAP is reformed before those countries actually join the club.

Another impending pressure for reform is the review of the GATT/World Trade Organization agreement which is due to start in 1999. The other players in those agreements such as the USA, Australia and New Zealand have reformed their own agricultural policies and they will doubtless seek changes which will make the EU's CAP untenable in its present form. If, as expected, those negotiations lead to further cuts and import protection through the use of the export subsidies, the EU's milk surplus will increase and pressure on internal market prices will intensify.

So it is against that background that the EU Commission has come forward with the proposals that we are here to talk about today. They are referred to in shorthand as Agenda 2000. The proposals indicate the Commission's view of the future direction that the EU should take. The proposals really reject the two extremes, which are the maintenance of the status quo on the one side and radical reform of the CAP on the other, and they basically favour an evolutionary approach.

As far as the dairy sector is concerned, the Commission's view is that a substantial surplus of milk products will remain at European level but they do not expect any major deterioration of the market balance. So they do not favour any drastic price cuts or any rapid abolition of the quota system. What they propose to do is extend the quota regime — I mentioned earlier that it is due to finish in the year 2000, but the Commission has suggested extending it to 2006 — gradually decreasing support prices by a total of 10% over the period, and introducing new compensatory payments for dairy cows which would basically bring the dairy-cow premium up to the same level as is available for suckler cows.

The Commission has also announced that it intends to propose what we could describe as skewing the CAP support towards smaller farmers. In jargon this is known as modulation. It will also propose various environmental and rural-development measures, and these will provide for member states to make direct payments conditional on observing certain environmental provisions.

The United Kingdom Government's position is to accept the main thrust of the Agenda 2000 proposals while feeling that they do not go far enough. Market-support measures will continue to operate in each of the various sectors, and the United Kingdom would like to see those phased out and replaced with what are described as degressive direct compensation payments. In other words, they will tail off over time and be de-coupled from production which just means that they will not depend on the amount of the commodity produced. The compensatory aids which are proposed by the Commission on the other hand are not fully de-coupled from production, and there is absolutely no indication that they will be phased out over time. So, from those two viewpoints, they do not accord with what the United Kingdom would like to see.

A very preliminary analysis of the Commission's proposals by the Department suggests that they are unlikely to have any major impact on Northern Ireland farm incomes. It is difficult to do those calculations precisely without knowing exactly what is meant by modulation and so on, but our best estimates indicate that they will not make a great deal of difference to us. Much depends, however, on how you define small farms when you are looking at the concept of modulation.

The main point that I want to make is that the Agenda 2000 proposals simply represent the opening shot in what is liable to be a long and difficult war. This is simply the Commission's initial sally, as it were. Having said that, there are few member states that support the United Kingdom in terms of what they would like to see in CAP reform, and there can be no certainty over what the final outcome will be. But the bottom line is that the various engines for reform are not very likely to lose power, and at the present time the United Kingdom is committed to seeking CAP reform. The Department of Agriculture's role in all of this, as one of the four agriculture departments, is to continue to monitor the potential effects of the proposals as they evolve, and, we, of course, will be playing our part in developing the United Kingdom's negotiating position.

Finally, I hope that my comments set the Agenda 2000 proposals in context. We will be quite happy to take whatever questions Committee members have on the detail of the proposals. Thank you very much.

Mr Shannon: What proportion of farming — and we are all well aware of what dairy means to farming — does the dairy regime actually have in the overall budget of the farming industry in Northern Ireland?

Mr Hunter: It is a very significant one. It depends on which measure you care to choose. If we look at the proportion of dairy output relative to total gross output we are talking about a figure in 1996 of £343 million out of a total gross output of £1,230 million, which I think works out at around 30%. However, if we move to something closer to value added and look at aggregate gross margins, we find that, in fact, dairying becomes the most important enterprise in Northern Ireland. In 1996 it accounted for 43.5% of the total gross margin which is akin to value added by the agricultural sector. So, it is clearly, if not the most important sector, one of the most important sectors.

Mr Shannon: Do you see a potential for the dairy regime to grow in Northern Ireland? Do you think that it has peaked or do you see more potential for further production or processing?

Mr Johnston: I will just give a general slant on that — Mr Hunter may want to elaborate on it. The trend over the last few years has been for the dairy industry to expand by buying in or leasing in quota from other parts of the United Kingdom. So, very clearly, there is potential to expand. My perception is that Northern Ireland could be very competitive in the dairy sector were it not for the constraints imposed on us by the quotas regime.

Mr Hunter: Yes. I would support that. At the moment expansion is limited by the availability of quota which is ring-fenced within member states so that there can be no transfer of quota between member states. However, within member states there is some flexibility, and Northern Ireland has increased its quota simply by purchasing quota from the rest of the United Kingdom and by leasing in quota from Great Britain. But that is obviously a considerable barrier to expansion, and that is one of the reasons the United Kingdom Government would ultimately like to see the end of the quota system.

Mr Shannon: What effect does the purchase of milk here in Northern Ireland which is then taken down to Monaghan, as one example, have upon the regime within Northern Ireland, from the point of view of the availability of milk in Northern Ireland? As I understand it, some producers here of cheese or powdered milk or whatever have said that they cannot always get the milk that they need. Are you aware of that?

Mr Johnston: Yes. We have heard that said. The answer to it is less easy to see where you have a land frontier with another member state. I suspect that the only answer is to have a relatively free market that is not constrained by national frontiers so that whoever is willing to pay the price gets the product. But there is no doubt that we have excess capacity in the processing sector in Northern Ireland even yet.

Mr Shannon: Do you see that perhaps as being a way in which the industry can grow as well? I am looking to the future and to what is going to happen in the next 10 to 20 years. I have a feeling that the next stage of food processing will be a growth industry with a potential to increase jobs and, therefore, benefit everyone, but we have to have the milk here to start with.

Mr Johnston: I think that is right, although it has to be said that if there is already surplus production capacity, there is a little space to make up before you actually start going into overdrive and increasing your output. But it is an industry that we would be able to capitalize on better were we free from the present sort of constraints. The same is true of the United Kingdom as well which is one of the reasons we would like to see this particular regime reformed.

Mr Shannon: Is it fair to say that dairy farming takes prominence in the farming economy over all other spheres?

Mr Johnston: Well, it depends on how you define that. As Mr Hunter has said, in terms of money there is no doubt that it is a very important industry. From my perspective within the Department it has probably had less of a profile over the last couple of years than, for example, beef for obvious reasons. So it really depends on how you define that. As Mr Hunter has said, it is arguably the most important industry within agriculture at the minute.

Mr Hunter: As Mr Johnston said it depends on how you look at it. In terms of the value of its output it is the most important considering also the number of farms that are tied up in it. There are many more farms involved in the beef sector than there are in the dairy sector but dairying is much more concentrated. To put it in perspective in 1996 just under 6,000 farms had dairy cows whereas 24,000 had cattle of some description and, in fact, over 15,000 had beef cows. I do not know whether that answers your question, but there are more people involved in the beef sector than in the dairy sector at farm level.

Mr Shannon: You have sort of answered the other question that I was going to ask: how many farms and how many workers are involved? Obviously, the dairy sector is fairly intensive with 6,000 farms involving a substantial number of jobs.

Mr Hunter: Very much so. At farm level it is difficult to say how many jobs are tied up because people are engaged in more than one enterprise and so you cannot easily tease out the numbers who are specifically engaged in dairying. But there is obviously a significant number in the dairy processing sector.

Mr Shannon: Does the Department of Agriculture encourage further processing within the business when it comes to production of the end products for the shelves? Are they actively involved in grant aiding, supporting and encouraging?

Mr Johnston: Yes. Particularly the encouragement bit. The limits on public expenditure nowadays mean that the ability to grant aid is quite constrained. There are processing and marketing schemes which are available to the food sector in general. There are some problems associated with the dairy sector because of the perception that there is excessive capacity out there. I am not sure if that is still the case but, until recently, before you could grant aid any increase in production on the dairy side in Northern Ireland you actually had to close something else down so that you did not make matters any worse. If you are adding value to the product, then, by definition, it is more lucrative than simply to produce milk for butter to be sold into intervention or whatever. So we would certainly be encouraging that, but there are obvious financial constraints.

Mr Shannon: Do you work in conjunction with the IDB (Industrial Development Board) for instance?

Mr Johnson: Yes. Very much so.

Mr Shannon: Is IDB really the financial end of it?

Mr Johnston: They have a much bigger budget than we have. Our budget is quite limited. They are the main players in this area.

Mr Shannon: Have you facts and figures, for instance, to prove or to show that the IDB have been actively involved in encouraging job creation within the food industry? Sometimes I feel that our food industry does not get the support and the benefit that it really needs.

Mr Johnson: I could not disprove it because I am not in the IDB, but my perception as a layman is that it is regarded as a very important sector by the IDB. When you look at the sort of resources that Northern Ireland has, agricultural produce is arguably the only one, apart from manpower, and I would be very surprised if the IDB did not give it a very high priority. As I say, I am not in the IDB, that is just my impression.

Mr Masson: In recent years we have seen a movement towards deintensification in the industry. What would be the effects in years to come if there were an increase in competitiveness in the industry with the removal of subsidies? Would that create more environmental pressures and further mechanisms than now to cope with that in the future?

Mr Johnston: Yes, I think there are potential environmental pressures there. Having said that, at least the Commission's Agenda 2000 proposals envisage that as being a difficulty, and they have built rural development and environmental aspects into the proposals. It will require very careful handling to make sure that there is no undue adverse environmental impact. It is certainly a danger. Obviously the more you expand, the more environmental pressures there may be.

Mr Hunter: One of the underlying philosophies behind the Agenda 2000 proposals is that they basically want to reduce the market price and therefore reduce the incentive to produce more. At the same time they will compensate farmers by making direct payments that are not linked to production which, in turn, will encourage farmers to be more environmentally friendly. So the Commission, I am sure, would argue that their proposals are designed to enhance the environment in that way.

Mr Masson: Does that mean that there will be a local rural development package for different areas which will help the farmers to adapt to the price changes?

Mr Johnston: Certainly that is part of what the Commission is suggesting under Agenda 2000. What will eventually pop out the other end is anyone's guess, but rural development has a very high profile with the Commission at the moment, as does the environment, and I would be very surprised if that particular aspect did not survive.

Mr Junkin: I am still interested in the environment. You have said that you would probably think about diverting funds to smaller farms, but what about the bigger farms that seem to have a bigger disaster potential in so far as the environment is concerned?

Mr Johnston: We tend to think of smaller farms as having a particular definition in the Northern Ireland context, and, of course, a small farm in Northern Ireland is something entirely different from a small farm in Great Britain or in some of the other member states.

So the first warning I would give in relation to that question is that our perception of how modulation will operate leads us to believe that it will probably not affect too many of our farmers because we tend to be quite large by EU standards. Having said that, there is a feeling that the larger farmers are the ones who have the greater turnover and hence the money to handle their own environmental problems, and so on, without public intervention, whereas the smaller farmer obviously operates on tighter margins and maybe cannot afford to do things just as well as he would like to. But the crucial thing is where you draw the line, and it is certainly the United Kingdom's intention to make sure that it is drawn so that not too many of our people, in United Kingdom terms, are caught by it. And by definition that will tend to make sure that virtually nobody in Northern Ireland is caught by it. So we are not too concerned about that at the moment.

Mr Junkin: Would you draw a line or would you consider grading it depending on the smallness or the greatness of the farms?

Mr Johnston: We had a debate about this yesterday and the difficulty is that if you start trying to define a holding or farm by area, the first thing that happens is that those areas get divided up between father and sons and so on. All of a sudden you have a lot of small holdings. A more likely outcome is that some sort of ceiling will be placed on the total amount of EU aid that gets pumped into a particular farm. Having said that, the same thing is still liable to happen depending on how it is drawn up. But it is likely to be on the basis of the input of money rather than of surface area.

Mr Junkin: The Department of Agriculture and the EU were assessing the effects on Northern Ireland. How do you assess the overall effect? A dairy farm is not just that — a farm family is also involved. There is possibly a farm labourer's household with the education of his children involved, and so on. There is a machinery factory that supplies a slurry tanker every 10 years, or whatever. There is a Massey Ferguson or a Ford factory that has an input in that farm, albeit from Spain or somewhere else. There is the building maintenance et cetera. How do you actually assess the whole picture? Do you take it all into account?

Mr Johnston: I will ask Mr Hunter to elaborate on that in a minute. But I will just say one thing before he does, and that is that it would be wrong for us to give the impression that we have done a Rolls-Royce job on this, because the proposals coming out of Europe at the minute are quite sketchy. All we have been able to do at this stage is a very broad-brush assessment of how things might actually shape up, based on all sorts of assumptions. I think it is true to say that we have not yet gone into the sort of detail to which you have referred. Maybe Mr Hunter could elaborate on what we have done so far.

Mr Hunter: We certainly would not be taking it into the sort of fields to which you have alluded. There are basically two types of assessment that we do. The first we call the aggregate picture, and this is where we look at the level of output from the industry as a whole or, in this case, from a particular sector. We look at the impact of the proposals on that sector, and we also look at their impact on the inputs into that sector — we look at the overall picture.

The other type of assessment is at an individual farm level where we look at the performance of different sizes and types of farms. We do a similar sort of adjustment there to the level of output and to the level of input. It is very much focused at farm level, and we would not normally take it beyond that. We would obviously be interested in looking at the impacts, say, on the processing sector and on the input supply sector, but we would not be looking at machinery suppliers, and so on, from other countries. It is very much a local assessment that parallels very much the type of assessment that is done by MAFF for the United Kingdom as a whole.

Mr Junkin: So you are not just looking at the way it impacts on society in general?

Mr Hunter: We are mindful of the effects on society in terms of the direction of change, but it would be impossible for us to quantify those effects.

The Chairman: May I ask you what the level of self-sufficiency for dairy products is in Northern Ireland?

Mr Hunter: There is no actual set of figures for the level of self-sufficiency because we are not a member state and we do not have the data on imports and exports that we would need. We have reasonably good data on exports, but we have virtually no data on imports, and without that we cannot really calculate exact self-sufficiency figures. But, in broad terms, we are well above the level of self-sufficiency in the products of grass-based agriculture these being beef, milk and sheep.

The Chairman: Do you know what the level is for the United Kingdom as a whole?

Mr Hunter: Yes, that information is available, and for dairying we are well below the level of self-sufficiency. I have not got the exact figure in my mind so I had better not hazard a guess, but it is well below the level of self-sufficiency for the dairy sector.

The Chairman: With the benefit of hindsight, but also looking ahead, does the Department have a view on the wisdom of having quotas which were tradable from the beginning of the quota regime? With hindsight do you think that that has been wise for agriculture as a whole in Northern Ireland?

Mr Johnston: What has actually happened is that quotas have become tradable within the United Kingdom. Once that happened we started to import quota, and that suggests that it is a good thing. In fact I once did Mr McKee’s job and at that stage it was regarded as something which Northern Ireland wanted. It was not possible to do it up until recently. Even now the United Kingdom’s policy is that we should get the borders down and that those countries that can use quota most efficiently should be free to acquire it. Isn’t that right Mr McKee?

Mr McKee: Yes. The United Kingdom’s view is that in order to overcome the rigidities of the quota system, quota should be made as transferable as possible, and it is in favour of transfers across member states. At the moment the only transfers are between regions of a member state and, indeed, not in all member states. There is some flexibility for member states to have some say in how the quota regime is managed, and the United Kingdom has taken that flexibility as far as it can, and this has benefited Northern Ireland. To quote a figure or two: in 1996/1997 Northern Ireland’s quota was almost 10% higher than it was when quotas first came in in 1984, so Northern Ireland has made use of that flexibility within the United Kingdom. So, yes, we would like to see greater flexibility.

The Chairman: Is there one particular region of the United Kingdom that has contributed to that 10% increase here? Is there any part of the United Kingdom that has declined?

Mr McKee: Yes, most of the quota has come out of England. The Welsh have increased their quota, and I think the Scots have increased theirs marginally, but by far the greatest increase has been in Northern Ireland. That increase has taken place since 1 April 1994 when complete flexibility came in because of milk-market deregulation. So, in the last three years there has been a very marked increase in the amount of quota coming into Northern Ireland from England by purchase and lease.

The Chairman: Has there been a reaction to the idea or to the concept of member state tradability of quota?

Mr McKee: There is absolutely no support for it from other member states. The United Kingdom is out on its own. I do not think there is any prospect whatever of quota transferring across national boundaries having been purchased from other member states. There may be less resistance to the concept of short-term leasing across national boundaries, and that is probably the one idea that could be pushed more. But at this stage the United Kingdom is very much out on its own.

The Chairman: Do you think Northern Ireland could benefit significantly from the Republic of Ireland if that were able to be done?

Mr McKee: The two quota systems are operated in distinctly different ways. The United Kingdom has complete flexibility, and the quota is allocated at farm level, so it is the farmer who holds the quota. In the Republic the quota is managed by the co-operative. The quota is allocated to, and held by, the co-op. So if there were to be complete separation, without some adjustment, Northern Ireland might not have the same ability to get its hands on the Southern quota as it can on the quota from across the water.

Mr Hunter: The conditions under which dairying operates on both sides of the border are probably sufficiently similar so that if there were to be transferability between member states, the South would probably be in a similar position to the North in that it would be going out looking for quota. The transfers in that situation would be more likely to be between other member states and the South and North of Ireland, rather than between Ireland, North and South.

Mr Ford: Following on from that, and I apologize if this was covered earlier, it seems to me that when you talk about flexibility of quotas, you end up saying "Why have quotas at all?" What do you see as being the implications for Northern Ireland if we were seeking the abolition of quotas depending on the world price and such assistance that was given, bearing in mind environmental or social objects, rather than economic objects?

Mr Johnston: We think that Northern Ireland would benefit from that. In fact, in my opening presentation I said that the United Kingdom is certainly in favour of seeing the back of quotas. And if you look at what has actually happened, and Mr McKee mentioned the drift of quota that there has been into Northern Ireland, you will see clearly that there is a financial driver behind that process. If we got rid of quotas, I suspect that we would be much better off as a region than we are under the existing system.

Mr Ford: In the concept of the current CAP, with other EU Governments versus world trade organizations and the United Kingdom, what chances are there that that might come about within the next 20 years?

Mr Johnston: Well, that is the $64,000 question, and we do not know the answer. But it is important to bear in mind that the existing regime runs out on 31 March 2000, and unless something else has been agreed by that time, the quota regime will lapse. So there is a powerful driver to ensure that we put something in place or the thing just stops and quotas will disappear. So I do not know the answer. My own view is that some sort of a compromise will be drawn up and quotas may be preserved for another six years, but with some sort of degressiveness built in so that by 2006 they will definitely go. In the meantime there will be price adjustments to try to adjust the regime to the world market. That is all speculation, and really everything is to be played for. Really, the answer to that is, who knows?

Mr Clyde: You mentioned that there would be a premium for a dairy cow which was equal to that for a suckler cow. What is the thinking behind that?

Mr Hunter: It is basically the same as the thinking that was behind the McSharry CAP reform in 1992. In other words, as institutional prices were lowered, farmers were given compensation for that price cut. So the thinking behind the current proposal is that if institutional prices for milk are to be cut by 10%, these payments would compensate for that price cut.

Mr Clyde: The beef farmer does not see that that is really fair, because no matter when the beef industry gets a boost, the dairy industry gets a boost for its calves. If beef takes a knock, the dairy men still get their money from milk, but the minute the beef farmer takes his cow out, he is finished. Instead of getting between £600 and £700, he gets £320; whereas when the dairy man takes out a Holstein cow, he gets £320 for the same. Some of the beef farmers do not think that that is really fair. Will they still have quotas after this premium comes in?

Mr Hunter: Under the proposals as they stand at the moment, quotas will continue until 2006. Under the proposals that the Commission has put forward, these premia will come in to compensate for this modest price cut of 10% and quotas will continue.

Mr Clyde: Will that be for every dairy farmer with 100 cows? Will he get that premium for every cow or only for a certain number?

Mr Hunter: That is where this concept of modulation comes in and the Commission has yet to spell out the detail of that. There is no indication at this stage — certainly no official indication — about the level at which any cut-off or any ceiling will be applied. We simply do not know the answer to that.

Mr Johnston: If I may I would like to make a general point on this, Mr Clyde. The United Kingdom plc does not find itself attracted to these proposals any more than you do, for the reasons that you have set out. Whenever you start trying to manage the market and give people subsidies and so on, this is the sort of distortion that creeps in. That is why one of the things the United Kingdom would like is simply a free market, so to speak, where people get whatever they can on the open market without grants and subsidies. But, obviously, there is the difficulty of how you get there from here.

We do see the sorts of problems that you mention. It is one of the reasons we would like to see a different outcome perhaps.

Mr McCarthy: What representation do we have from Northern Ireland into the very important discussions that are obviously going on?

Mr Johnston: It goes right from the ground up. I will take you through what actually happens. The Commission's proposals come out of Brussels and the way things operate among the agriculture departments is that MAFF is generally in the lead in producing a draft in response to that. That would then be circulated round departments, and departments, at that stage, can feed in their comments on how the MAFF response suits Northern Ireland, Scotland, Wales or wherever.

Generally speaking, there are meetings about it to try to produce a paper that will cover the whole United Kingdom interest. I think it is fair to say that, despite being a small region, we do have quite a strong voice. We can very often persuade colleagues in MAFF that what seems sensible in Potter's Bar would not necessarily work too well in Aughnacloy. You find that proposals are changed at that point.

It then goes on up in the sense that this set of proposals will be discussed by the Council of Agriculture Ministers who meet monthly in Luxembourg or Brussels. The MAFF Minister normally takes the lead there, but, again, the briefing that the MAFF Minister gets is vetted in

Northern Ireland. We make sure that he does not just get the MAFF line, if the MAFF line is different from the DANI one. Indeed, we normally have somebody at every Council of Ministers meeting so that if anything comes up, our voice is heard. We are pretty well represented, I think.

Mr White: What effect has the introduction of milk quotas had on the industry in terms of output in comparison with what it was like before the milk quotas were introduced?

Mr Johnston: I will let Mr Hunter mull that one over.

Quotas were set on the basis of production. They came in in 1984 — I think the base year was 1982 or thereabouts. The idea behind quotas really was to preserve a position at a point in time. There was a debate about that because people, for various reasons, said "Ah, but 1982 was not a typical year. We should have had more quota." In broad terms nothing should really have changed the day quotas came in because what it did was preserve a position that pre-existed. The problem with it is that it then stopped the industry from continuing to grow. It fossilized the whole thing, and that is really the problem.

So the answer to your question is that it probably did not have a whole lot of effect, but it has had an effect since.

Mr White: Yes. I was interested, particularly in terms of growth and output, in the effect it had on the industry.

Mr Johnston: Well, it has basically pickled the industry.

Mr White: It has impeded growth in a way.

Mr Johnston: Yes, definitely. That is the problem.

Mr White: Is potential growth restricted unless there is potential for purchasing milk quotas from another country, such as England, Scotland or Wales?

Mr Hunter: Yes. As long as there is a quota system, growth in the production of the primary raw material — milk — is restricted because any production over quota is totally uneconomic and incurs the super-levy. It is just not worthwhile for farmers to produce above their quota level.

Mr White: I was just wondering about the 10% of quotas purchased from England. Did that not have the effect of increasing production by 10%, rather than it staying at the 1982 level?

Mr Johnston: That is right, but it has been quite limited. Farmers have actually had to go out and buy in quota. If you think about it, people got the original quota for nothing. But our people had to pay somebody to get it in. There is no doubt that that will have been a disincentive. So while 10% has come in, if had been free, for example, who knows, you could have had 33.33% or 50% coming in. There is always the danger in buying a lot of quota from England that if the quota regime disappears tomorrow, that is it. You are out of pocket. You have lost it.

Mr White: It is a capital asset.

Mr Johnston: Yes, exactly. So it is bound to be a big disincentive. But at least the system allows some movement in, albeit at a cost. We would like to see a free market operating — if we can produce milk competitively, let us do it.

The Chairman: What level is the world price below the subsidized price?

Mr Hunter: It varies, obviously, depending on the commodity. There is not a trade in liquid milk, so what we are talking about is a trade in milk products. The degree to which the EU price is above the world price varies quite a bit from one commodity to another and from one year to another. But quite often the EU price is as much as two or three times as high as the world market price for certain commodities. It is very significantly above the world market price.

The Chairman: If you were to guess, how would that relate to the price per litre? Could that be done in any way? If our price was about 20p per litre, what would be the world price that our milk would have to come down to?

Mr Hunter: I have not done that calculation. It might be dangerous to guess a figure, but it would have to come down very significantly. That is why, when you look at the Agenda 2000 proposals, the proposed price cut for milk is a lot less than the proposed price cut for other commodities. It is recognized that the dairy sector is much more protected from the world market than these other sectors are, and any change is going to have to be very gradual.

Mr Shannon: Following on from that, at the minute the price has fallen very dramatically from the high of, say, 18 months ago to about 20p per litre. Some farmers have indicated that they think it might fall to 16p per litre. That has not happened. Do you think that might happen? If you do think it will happen, at what limit will the dairyman cease to make money? At 20p per litre he is there, he is performing, he is getting a profit. At 16p per litre he is missing the boat.

Mr Johnston: When you are talking about the price falling, do you mean under these proposals?

Mr Shannon: Yes.

Mr Hunter: Well, the proposals will still leave a system of support in terms of intervention for the different commodities. I do not think it likely that the price will fall greatly below the 10% that has been quoted, and this 10% price cut is over the years from now to 2006. I do not see the proposals themselves as being likely to lead to a great reduction in the price. But, obviously, market forces also play a part. Not all milk products are supported — the liquid market is not supported, for example. The price that the farmer receives is derived from the price that processors get for the different commodities and then pass back to the producer, so it is a complex situation. The institutional prices are not 100% directly linked back to the producer price.

Mr Johnston: It is worth bearing in mind that under these proposals there will be this premium top-up as well. The producer will not be reliant just on the price that he is selling his milk to the dairy for. He will have this other income stream plus whatever other enterprises he has, of course, maybe on the beef side and so on.

Mr Shannon: You mentioned that those who were in dairy were fortunate enough, when the quota system came in, to get their quota for nothing. Those who have wanted to increase their quota or purchase lease have had to borrow the money unless they had some put away or whatever. There is no scheme available at the present time for people who would like to go into dairy to get a quota to start them off, is there?

Mr Johnston: No, there is not. That is a problem. There have been numerous calls for it, but there is no system whereby it can happen. In earlier days we looked at the possibility of creating some sort of reserve whereby if you transferred quotas, some of them would be siphoned off into a reserve which could be used for new entrants. But for one reason or another, that never happened. The bottom line at the minute is that if you want into dairying now, you either have to inherit it or buy it or whatever. There is no free reserve.

Mr Shannon: It would nearly be impossible in this day and age for anybody to go into that type of farming who was starting from scratch. It would be fair to say that the people who are in it are the only people who are going to be in it — unless you come into a fortune, in which case you would head off to the Bahamas or somewhere like that.

Mr Johnston: That is exactly right. That is one of the fundamental problems we have with the existing regime.

Mr Shannon: Would the Department be in favour of having a system like that? Is that something you might look at?

Mr Johnston: At having a quota reserve for new entrants?

Mr Shannon: Yes.

Mr Johnston: Well, yes. I think it is a question of the least worst of a number of options. The system that we have at the minute is very undesirable for the reasons you have stated. Having some sort of reserve whereby you could fund new entrants to get into the business would be less bad than that, but, ideally, our position would be to get rid of the system because the system creaks from so many different aspects — this is just one of them.

The Chairman: Why was the reserve not established?

Mr Johnston: I cannot honestly remember the answer to that. Maybe it was to do with politics, but perhaps Mr McKee can answer.

Mr McKee: There is provision under Council regulation 3950 of 1992 to establish a reserve for new entrants. However, it has to be established on a national basis; it cannot be established on a regional basis alone, particularly when quota is moving within the region. If we established a new-entrants scheme for Northern Ireland we would soon have howls of protest from across the water because we would have quota being bought in from Great Britain. Also, by some means or other, some of that quota would be going in to a pot for new entrants and we would find that Northern Ireland was just sucking in all the quota.

There is absolutely no demand for a new-entrants scheme, although some people have talked about it. We hear about it from time to time but there is no concerted demand from the National Farmers' Union in England or Wales or Scotland for the introduction of a new-entrants scheme. In the absence of that, there is no mileage whatsoever in Northern Ireland seeking to introduce a national scheme. It just will not happen.

Mr McCarthy: Since the introduction of quota it has been used to restrict production. Has no one in Brussels come up with an idea whereby production could be increased in order to feed the hungry world? There is still a world out there that is hungry. We have the capacity to produce but we are not allowed to produce and people are going hungry.

Mr Johnston: That is a criticism that I have heard levelled at all sorts of aspects of the CAP, particularly in the days when we used to see colour photographs of mountains of tomatoes being run over by bulldozers. It is one of the absurdities of the CAP that that sort of thing can happen. However, there are complexities in this: if you produce food and send it to third-world countries that have food problems, you distort their local industries which are trying to get off the ground and produce food for their people. They suddenly find all this stuff dumped on the market which means that their produce is valueless and there is no profit in it for local food producers. It is one of those ideas that sounds good, but once you start looking at the practicalities and the implications of it, it rapidly becomes clear that there are big problems with it as well.

Mr Hunter: Mr McCarthy has raised another issue that we have not touched upon and which might be worth covering and that is the level of EU exports. The EU is now constrained under the GATT (Uruguay round) agreement. It is worth making the point that that constraint applies only to subsidized exports; if production is unsubsidized, there are no GATT constraints on it. This is another reason that, under the Agenda 2000 proposals, the Commission wants to move, albeit slowly, towards unsubsidized production because there would be no problems under GATT with that. As long as our production is subsidised, there is a limit on the level of EU exports.

The Chairman: To move away slightly, and if you do not wish to answer this question please feel free not to. Has any analysis been done on the breaking of the Milk Marketing Board monopoly and its impact on the dairy industry in Northern Ireland?

Mr McKee: Could you repeat the question please?

The Chairman: When the Milk Marketing Board monopoly with the purchasing of milk in Northern Ireland was broken we saw the emergence of almost a free market. Has any analysis been done of how that has impacted on dairy farming and the agriculture industry generally in Northern Ireland?

Mr McKee: The major impact has been that the increased competitiveness drove up the producer price of milk and, on the back of that increased producer price, producers were free and able to buy extra quota. It was significant that it was with deregulation that we saw an increase in the level of purchasing from Great Britain. It looked as if the additional money that was going into dairy farms was being used to purchase more quota and, therefore, to increase the size and scale of the industry here.

Mr Hunter: I agree with that. We have not engaged in a specific study of it, and I am not aware of any other study that has been done, but the main thrust of the change is as outlined by Mr McKee.

Mr McKee: It is significant that the increase in quota is running somewhere in the region of 100 million litres and the average market price is around 60 pence per litre. So you can see that a phenomenal amount of money has gone into the purchase of quota.

The Chairman: Is there not an anomaly here? We are restricted in that we cannot increase production through purchasing quota from another member state, but another member state can, through driving up prices or whatever, take as much milk out of Northern Ireland or the rest of the United Kingdom as it wants? Could that not be used as an argument to encourage tradability of quotas across member states? If you have measures to protect production, you should also have measures to protect the sale of the product.

Mr McKee: I want to correct the impression that there is a significant haemorrhaging of milk from Northern Ireland and elsewhere, mainly to the Republic. That has not happened in the last year and a half. The amount of milk that is being produced in Northern Ireland is staying within Northern Ireland. Even those who are selling to Southern based co-operatives are processing a very significant proportion of that milk in Northern Ireland. In recent times, dairies here have also purchased milk from Great Britain. A year or two ago, Milk-Marque was selling surplus milk to Belgium; it is now coming into Northern Ireland. The dairies are out there ensuring that the milk pool is being processed locally and they are also in a position to bring milk in from across the water when the price is right.

The Chairman: My final question is about research into the dairy industry by the Department. Where is the research being focused at the moment? I am thinking of production research rather than economic or statistical research.

Mr Hunter: The answer to that is — and I do not think that any of us would claim to speak with any great authority on this aspect — that there is a lot of production-based research continuing at Hillsborough at the Agriculture Research Institute under Prof Gordon who is an authority on this. There is quite an emphasis on production research there. At the same time, there is a lot of work being done on the processing side at Loughry, the food centre. All told, the Department could sustain the argument that a considerable effort is being put into research for the dairy sector at both farm and processing level.

Mr Speers: I was interested in the answer to your own question, Mr Chairman, about the tradability of milk between member states and regions. With regard to milk, the major concern was probably that there was at least some evidence, and probably quite a bit of rumour, to suggest that those from outside Northern Ireland who had acquired milk plants were Southern co-operatives. Interest was shown in the profitability of that co-operative's activity in Northern Ireland, what it was paying for milk and the reasons it was prepared to operate at a minimum profit or, indeed, at a loss. There was an element of concern about the intention or the nature of that type of approach rather than a belief, as you have said — and I fully accept that — that a lot of milk that has been bought by Southern-based companies is being processed in Northern Ireland but not necessarily at a profit. As I understand it, if one follows through the logic of the accounts of some of the companies that have acquired such interests in Northern Ireland, there is an understandable suspicion about why this is happening.

Mr McKee: One thing we should bear in mind is that the producer price that all of the companies in Northern Ireland are paying to the farmer is dictated by the base producer price set by the united milk auction. Some were paying a penny a litre or whatever more than the United base price. However, Northern Ireland farmers are all receiving a similar price, irrespective of where they sell their milk to. Some are doing slightly better than others — you have to look at the prices in great detail. The other thing is that if any company is foolish enough to trade at a loss deliberately, eventually it will go to the wall. However, there are other companies out there that are able to take on board the milk capacity that is released. There is sufficient competitiveness and interest in the milk of the Northern Ireland farmer to keep the price at a reasonable level.

Mr Hunter: The other part of that is that, especially since deregulation, the producer price has been driven up to such an extent that it would be true to say that virtually all dairy processing companies have been operating in difficult economic circumstances — I suspect, at a loss — over that period. While I cannot answer the question with regard to the Southern-owned ones, it is probably right that most of the dairy processing companies have experienced a pretty lean time over the last 18 months or so.

Mr McKee: And that has depended on their product mix. Cheese plants have suffered more than for instance, powder plants, and plants that have been in the higher value-added product sector or in the liquid sector have done better than the product plants.

Mr Speers: Mr Chairman, may I suggest that some statistical information be provided or that research work be done on that particular aspect. It seems funny, to put it at its mildest, that some co-operative should acquire a milk plant and operate at a loss, or, at least, less than economically, the processing of the milk it has acquired. That puts extreme pressure on other operators who are working in Northern Ireland and buying their milk on the same market. That is, potentially, a long-term problem for the Northern Ireland milk producer. It may initially be to his benefit and provide some competition for milk, but the long-term aims and objectives of such a practice are matters of concern.

Mr Johnston: We have the gist of the point you are making. I am not sure to what extent we have figure work on this but we would like to think about how best we can respond to it and come back to you.

The Chairman: Certainly.

My wife's parents have just returned from a tour of the Czech Republic during which they examined the dairy industry there. That Republic is one of those that could, potentially, be one of the new members of the Union. Is it envisaged, in the Agenda 2000 proposals, that those new countries will be subject to the same regime as existing members? For example, my in-laws were told that the price paid to producers of milk was equivalent to 2p per litre, so presumably they are producing it for about 1p per litre. The average wage there is about £150 a month. That type of economy entering the regime on the same level that we are going to be experiencing in the new regime would, obviously, have a devastating effect.

Mr Johnston: Exactly. The short answer to your question is that it is not envisaged that they will get the same deal. This is one of the things that is driving the whole process. To grant the central and eastern European countries exactly the same deal that existing members have would ruin us and would be unaffordable. It just could not be done. Indeed, even when you do the sums on the proposals that are on the table — the Commission's proposals — you find that to give even a moderated regime, along the lines of what the Commission is suggesting, to the central and eastern European countries would increase the bill for CAP to something between 2.4 and 4 billion ECU extra, once those member states joined — and that is with the worst deal that presently exists. So the answer is very definitely "No". This is one of the reasons everybody is thinking about this.

The Chairman: Presumably the Commission is looking beyond 2006 to new countries coming in in perhaps 20 or 30 years time. There will be consistent standards of living and consistent prices right across the European Union, whatever size it is. The long-term effects on our industry are going to be quite dramatic.

Mr Johnston: Yes, indeed.

Mr Hunter: While the whole thing is very much up for discussion as regards eastward expansion, it does appear as if the situation is fairly firm because of the compensation payments that have been made. For example, under the McSharry reforms and Agenda 2000 those would not be extended to the new, aspirant countries, simply because these are compensation payments for price reductions, and the new countries will not suffer price reductions. They will actually benefit from price increases. That is the only concrete fact that I am aware of in all of this.

The Chairman: How do you as a Department advise, for example, young people who are presently engaged in dairying and who want to expand their own dairy unit? Do you see a minimal level of liability in five or 10 years? That is one of the reasons I was asking about focused research. I read an article recently which said that in the United States a unit producing less than, say, half a million litres of milk — 100 cows — will not be viable by the turn of the century. Can you advise farmers on what they should be doing to achieve long-term sustainability with their enterprise?

Mr Johnston: That is a difficult question to answer. In America they are probably slightly better placed than we are because they have already made their adjustment and they can probably point five years or 10 years in the future and say "That is where you need to be to be profitable."

We have a problem in the sense that the water is muddied by the sorts of considerations that we discussed today, and it would be difficult for anybody in the Government or elsewhere for that matter to specify the optimum level that you should be aiming for; it really all depends on what comes out of these negotiations. I am sorry if that sounds a bit evasive but it would be difficult for DANI or anybody else to give specific advice in this area.

Mr Hunter: Yes, I agree that the only advice that can really be given is for producers to continue to seek efficiencies and to be as efficient as they can. As Mr Johnston said, I am not aware of any very focused advice. I do not think that would be realistic.

The Chairman: Thank you very much indeed. It has been a very full and interesting exchange, and particularly on the questions and answers you have been excellent. On behalf of the members could I thank Mr McKee, Mr Johnston and Mr Hunter. We will be progressing our review and we are looking at each industry in turn. Today's evidence has been most interesting and varied.

Mr Johnston: Thank you.

NORTHERN IRELAND FORUM
FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 9 October 1997

MINUTES OF EVIDENCE
(Mr S Johnston, Mr M Doherty and Mr T Stainer
(Department of Agriculture))

on

EARLY RETIREMENT SCHEME FOR FARMERS

The Chairman: On behalf of the Committee may I welcome Mr Stewart Johnston, Mr Michael Doherty and Mr Tom Stainer from the Department of Agriculture. You are very welcome, Gentlemen, and we thank you for assisting us in our deliberations this morning.

The Committee travelled around the province earlier this year meeting groups of farmers. One of the main areas of concern expressed was the unwillingness of their sons and daughters to remain in the industry. We decided to look at the factors influencing the decision of young people to remain in farming and at what can be done to stimulate them to remain there and in the industry as a whole. One of the factors that came to mind and that was brought to our attention is the absence of a retirement scheme for farmers in the province.

We have commissioned a team of management consultants to do a report on the feasibility of such a scheme. I know that different schemes have been talked about, but we intend to produce something that has the potential to be workable in Northern Ireland, if not in the Kingdom as a whole, and we are pleased that you have been able to come along to give the Department's thinking on the subject.

We were at Greenmount College last week to look at the educational services offered by the Department and we were all tremendously impressed by what is on offer and by what is being done there. So, to follow that up, we would be pleased to hear your evidence this morning. I will hand over to you at this stage.

Mr Johnston: Good morning, Gentlemen. Thank you for your welcome, Mr Chairman.

Maybe I could start by introducing myself and my two colleagues. I am Stewart Johnston, Assistant Secretary with responsibility for farm policy, animal health and welfare. We met recently when you were examining the impact on Northern Ireland of the Agenda 2000 proposals for the dairy regime. My colleague, Michael Doherty, has responsibility for farm policy in the Department, and that includes farm structure matters — and, of course, this is such a matter. Tom Stainer is our chief agricultural economist.

Let me just rehearse the history of the early retirement schemes, or at least the present tranche. Provision for early retirement schemes exists as part of the CAP reform measures which were agreed in 1992. The stated aims of the scheme are to improve farm structure by providing an income for older farmers who agree to stop farming; to encourage their replacement by farmers who are able to improve the economic viability of the remaining holdings; and to reassign land to non-agricultural uses where it cannot be farmed viably.

The scheme, as you probably know, is not mandatory for member states. It is a continuation of long-standing EU policies to encourage agricultural restructuring, particularly with regard to small farms — I will say something more about that later. In essence, the Commission regulation governing early retirement schemes allows for payment to be made by member states to those who are at least 55 years of age and who have practised farming as their main occupation for the last 10 years. In return for such payments a recipient must agree to transfer land to an individual who possesses adequate occupational skills and competence and who undertakes to practise full-time farming on that holding for at least five years. The acquired land must be expanded or used by the applicant to expand his own land. The annual payment is set at the minute at 4000 ECUs per holding plus 250 ECUs per hectare. That is subject to a maximum of 10,000 ECUs per holding. At current green rates, just to give you some idea of what we are talking about in real money, that equates to a sum of £2,780 and £174 per hectare. That would produce an annual income of about £9,000 per year for an average farm in Northern Ireland.

Over recent years the Department has been conscious of pressure from the Ulster Farmers' Union, local authorities, MPs and MEPs for the introduction of a scheme in the province. And the Farmers' Union in particular have made a number of representations to successive Ministers. In 1996 they submitted proposals for a regional scheme which was allowed for under the Commission regulation to which I have already referred.

The Government looked carefully at the proposals for an early retirement scheme. It has to be said that we have yet to be convinced that it is justified in terms of its ability to produce real, significant and beneficial changes to Northern Ireland farm structures. Also — and I will expand on this shortly — such a scheme would be very expensive. The Government do really need to be persuaded that a scheme that costs this amount of money would represent good value for money.

Let us look at the cost insofar as we have been able to calculate it. You will appreciate that it is quite difficult to estimate what sort of an uptake there might be. We have about 5,000 farmers in Northern Ireland aged between 55 and 64 who have small or very small farm businesses and who have little or no other paid employment and, we reckon, a further 1,000 with medium or large businesses. Not all those people would apply or be eligible for an early retirement scheme, but, based on what has happened in the Republic of Ireland where, of course, they have a scheme along these lines, we reckon that about 1,000 farmers could successfully apply to be considered under such a scheme.

If the scheme were open to applicants over a period of five years and with payments continuing until all the people in the scheme had reached state retirement age, we calculated some months ago that the overall expenditure for the scheme would be about £56 million spread over a period of 14 years. That works out at around £4 million per year on average. Since we did that calculation the sterling/ECU exchange rate has changed and if we were to recast the figure today, it would probably be closer to £50 million than £56 million. But the figures can change all the time and I will stick to the £56 million, if I may, for the purposes of this presentation. There would also be some administrative costs. We reckon another £1 million or £2 million of Departmental running costs would be needed to administer the scheme because it would be quite labour-intensive.

As I have already said, we could not consider expenditure on that scale unless there was clear evidence that it would provide good value for money and unless we were convinced that the scheme's objectives were worth paying so much for. I have already listed the objectives of the scheme. They are primarily aimed at improving the economic viability of farms by increasing farm size and giving the opportunity to younger farmers to take over land which those seeking early retirement no longer wish to farm. Whether the taxpayer should intervene at all in order to achieve those objectives, and, if so, whether he should have to pay £56 million for them to be achieved, is, I suppose, a matter of opinion. But the Government's view thus far has been that such a scheme is not really justified in the United Kingdom's particular circumstances.

When we made that sort of argument, we had counter-claims that the cost would not be as high as that because of the European co-financing that would go into an early-retirement scheme. The rules provide for 50% of the finance to come from Europe for most parts of the United Kingdom, rising to 75% for European Objective 1 regions. It is argued that because we get three quarters of it back in Northern Ireland, it is more economically justified than the sort of figures I have quoted would suggest.

However, that sort of claim is misguided because the United Kingdom is a net contributor to the European Union, unlike many other member states. In 1983, the then Government negotiated what came to be known as the Fontainebleau Agreement, under which the United Kingdom gets back two thirds of the difference between its contribution to the European budget and its receipts from Europe. That means that any increase in European expenditure in the United Kingdom reduces the rebate that we get back from Europe. To put it in very simplistic terms: every pound that we receive back from Europe is actually worth only 30p in real terms to the United Kingdom. So the promise of European assistance is far less attractive than it might seem from an examination of the headline figures.

As I have already said, we estimate that the scheme would cost £56 million over a 14-year period, ignoring the administrative costs. The workings of European financing, which I have tried to outline, would mean that we would only recover £11 million from the European Union. I mention that point because it is claimed that we get 75% of the money back. But we reckon that we would only get about £11 million back when we take account of the effects all this has on the European financing arrangements.

An additional complication, from our point of view, is that Government Departments in the United Kingdom are required to fund the full, gross cost of any scheme from within existing resources. That means that the Department or MAFF or whoever ran this would have to find the full £56 million, or whatever the figure, irrespective of any European money that was received. In recent times that has meant that any new proposals have had to be funded from within the Northern Ireland public expenditure block. What that means in blunt terms is this: if you want to spend £56 million on this scheme, something else has to be cut, and in order to proceed with an early-retirement scheme, we would have to cut other Northern Ireland expenditure by £56 million over a period of 14 years.

Clearly, there would have to be extremely good grounds for introducing an early-retirement scheme, given the level of expenditure involved and its implications for already hard-pressed agricultural budgets. Areas of lower priority would have to be identified and discontinued, and we would have some difficulty in saying what would be a lower priority at this point.

A number of other factors present difficulties to the Department when it comes to assessing the benefits of such a scheme. It would be difficult to create a scheme which would target those who ought to benefit most — considerable deadweight would be involved. Deadweight simply means that the scheme would end up paying farmers to do something which they would be doing in any event. There is a hypothetical argument in that, but the deadweight in Government schemes is generally taken to be around 50%. In other words, half the people who would participate would have taken early retirement and handed their farms over in any event. At such a level the benefits of the scheme, in terms of improved efficiency in the industry and allowing for the EU contribution, would be worth about £14 million, in spite of having cost the taxpayer £56 million.

We are not totally without experience of this type of scheme because the United Kingdom did have a type of early-retirement scheme called "Grants to Outgoers" back in the 1970s. That scheme was set up under the Agriculture Acts of the day. The intention of the scheme was very similar to that which we are discussing today. In other words, the objective was to encourage the amalgamation of uncommercial units of agricultural land with other units or to take them out of production. Our experience then was that the schemes did not result in any significant structural change in Northern Ireland, and we ultimately abandoned them.

The EU early-retirement scheme which we are discussing is specifically designed to help those member states which have a very large number of small farms. For example, in 1992 two thirds of the 4·6 million European farmers who were over the age of 55 were farming less than five hectares of land. Obviously there is a need to improve on that. The average farm size in the Community is 16 hectares, but in the United Kingdom the average is 70 hectares. The Northern Ireland average is 36. That means that our farms are already more than seven times the size of the small farms in Europe for which these schemes were designed. And they are already more than twice the community average. We are inclined to think of ourselves as having quite small farms, but in European terms they are not as small as we think.

A scheme along these lines could have important side effects on land tenure practice in Northern Ireland, particularly the conacre system. The conacre system means that we already have a large amount of land in Northern Ireland — some 225,000 hectares — which is available for rent by those who wish to expand the size of their business. Taking current market conditions into consideration, conacre offers fewer risks to the farmer than the longer term commitment of buying or leasing land. 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.

To conclude: we have looked carefully at the pros and cons of an early-retirement scheme, and we have yet to be convinced that it would represent a defensible use of public money, even if it were affordable. We are not convinced that such a scheme, if it were introduced, would result in an improvement in farm structures, improve the prospect of having younger and more efficient farmers, or help sustain the rural economy.

I am grateful for having had the opportunity to outline the Department's views on the scheme. I hope I have succeeded in clarifying the issues while, at the same time, highlighting the costs involved and the unquantifiable benefits of the scheme in Northern Ireland.

At this point we would be happy to take questions from the Committee.

The Chairman: Has the Department looked at the problem facing farmers who are only able to pay their sons or daughters £100 to £200 per month to give them a full-time occupation on the farm? There is an assumption that those sons or daughters are going to inherit or take over a sizeable, though in many cases unrealizable, asset in years to come. But the key problem, as we see it, is that farmers cannot afford to pay adequate or attractive wages to those young people by comparison with what their friends are earning in other jobs. Has the Department looked at the scheme from this perspective — that it would provide real employment? It would keep families and young people on the farms and working the ground, in particular in less-favoured areas of the province.

Mr Johnston: I wonder about that, because these schemes are set up to encourage a degree of rationalization. They are not designed to facilitate the handing on of land or the payment of higher wages. They are designed to arrive at a smaller number of larger holdings, and you might find that you have a smaller number of larger, more efficient holdings that employ fewer people because of their greater efficiency. We are aware that that is perceived to be a problem, but I am not sure that these schemes are the answer. Under the rules, an early-retirement scheme must involve farm amalgamation, and you must end up with bigger holdings because that is the purpose behind it.

The Chairman: I appreciate what you said about the rules for the European programme. However, the Committee is trying to devise a programme that would encourage young people to remain on farms and to remain in the industry. Has the Department considered such a programme, using the resources that are available from Europe, albeit for the slightly different objective of keeping farms intact?

Mr Johnston: The rural development programme looks at those sorts of issues, which are largely social issues. The bottom line is that if we were to run an early-retirement scheme using European money, we would have to play by European rules, and European rules require us to look at farm amalgamation. We are conscious of the need to address the sorts of problems to which you referred, but I am not sure that this scheme is the mechanism for doing that.

The Chairman: How does the Civil Service justify an early-retirement scheme?

Mr Johnston: You would have to ask the Department of Finance and Personnel that question because I am not involved in that end of the business.

As I understand it, the rationale is exactly the same as that for the scheme that we are talking about. The idea is to create extra capacity in the Civil Service by getting dead wood out and new blood in. It is also to avoid the demographic problems you might otherwise have if a large number of people retired at the same time. However, I am not an expert on the Civil Service's early-retirement scheme, and I could not really defend it.

The Chairman: The total cost of the Civil Service scheme is borne by the taxpayer — there are no benefits from Europe?

Mr Johnston: That is correct.

Mr Shannon: Mr Johnston, in your comments which have been firmly against the scheme you explained why the Department would not operate it. I think you would accept that many European countries, certainly Denmark, Holland and Germany — one of them may be a net contributor, I am not sure about the other two — have what I would call intensive farms which are probably among the small farms that you mentioned. Pig farming is one type, horticulture another. That is why their farm holdings are smaller. The size of those farm holdings alone is not an indication that their industry is not strong; the farm holdings are small because of the type of farming that they support. That their farms are smaller than our farms is not an argument against our having an early-retirement scheme for farmers.

You also mentioned European countries and their net contribution. One of those countries is a net contributor, but it still has a scheme. They obviously see the benefits of it. I suggest to you — and I do not mean this to be nasty — that instead of looking at the thing negatively, you should look at the positive aspects. That might help you to understand why this scheme could be used in the farming industry in Northern Ireland.

The Chairman made the point about the Civil Service very adequately.

When the IDB or LEDU create jobs in Northern Ireland, the average cost of a job is between £20,000 and £40,000. I would have thought that an argument in favour of this scheme was that we would be creating jobs. This is what we are about. We are looking at a method of keeping people on the land, putting jobs in the countryside and keeping the structure of farming alive and going from strength to strength. Members of the Committee and many other people likewise believe that an early-retirement scheme is advisable.

How do you feel about the fact that all these different bodies have no problem spending between £20,000 and £40,000 just to get a job? Would it not be an advantage to have an early-retirement scheme would do likewise?

Mr Johnston: I will ask my colleague, Mr Stainer, to comment on the economics, but my perception of an early-retirement scheme, as I said earlier, is that it would not, in fact, create jobs. What it would be doing, at best, was maintaining existing jobs — you would be handing on a job that already existed to somebody else downstream. I repeat the point I made to the Chairman: if you secure greater efficiency, you may actually reduce the number of jobs. But I will ask Mr Stainer if he has any comment on that.

Mr Stainer: I agree with that. There is no evidence that we are having problems with our farm structure or with employment in agriculture. In all developed countries there is a long-term, downward trend in the number of people employed as farms get bigger. The Industrial Revolution happened because of this, and we need that sort of process releasing resources from agriculture for other uses. There is no evidence that we have a problem that others do not. The long-term, downward trend has been fairly consistent and, indeed, it has slowed down a bit in recent years. There is no evidence of a great problem there. I agree with what Mr Johnston has said. Essentially, an early-retirement scheme should actually reduce the number of people employed in agriculture and its aim, as stated, would be to produce fewer and larger farms.

Going back to your first point, Mr Shannon, about the size of farms in Europe, I agree that some of the farms in Holland and Denmark are small. They have to have high levels of production because of what they are engaged in. However, there are many very small farms not engaged in intensive activities, and that is one of the problems. When you look at parts of France and parts of Germany — Germany in particular — you see a large number of very small farms. Basically, that is the sort of problem they are looking at.

Mr Shannon: What perturbs me is that other countries in Europe see the early-retirement scheme as a sensible way forward, a means of making their industry stronger, and what I am saying to you is that the Department of Agriculture should do likewise. Instead of having a negative approach to this scheme, you should have an impartial approach and be neither for nor against. You are telling us today that you are against it. If other European countries can see the benefits, I fail to understand why you do not. Mr Johnston mentioned the cost implication — I realize that, and he explained it very well — but I see other advantages which go beyond cost.

Mr Johnston: Other countries have different circumstances, different farm structures, and so on, which probably make the early-retirement scheme an attractive option. If we have come across as negative today it is simply that we have had requests for such a scheme before and we have looked at the implications. Obviously, when you look into something you do so from a balanced standpoint, but the difficulty is that when you try to muster the arguments for such a scheme, they are not that apparent. Indeed, the bodies that have asked us for an early-retirement scheme have tended to advance only one argument — a sort of a level playing-field argument — that certain other countries have it, so they want it. We have asked them for other arguments but, frankly, we are still waiting.

Mr Shannon: What about the job creation point of view? IDB and LEDU are prepared to spend between £20,000 and £40,000 per job. If we can create jobs through this type of scheme — I know that you said that that is not the thrust of the scheme, and not the reason behind it, but, nonetheless, is that not an argument in its favour? The Chairman, quite rightly, mentioned that some sons and daughters on farms are surviving between £100 and £200 a month. That is pocket-money really. They get their keep as well, so they are able to make do, but it is not much of a living, especially when their friends are earning that in a week, never mind a month.

Mr Johnston: It is not my job to defend the IDB, but I have to say from a layman's point of view that there has been some publicity recently about IDB's track record in producing significant numbers of new jobs and about the fall there has been in unemployment in Northern Ireland. If we were to proceed with this sort of scheme as it is constituted in Europe, we would be likely to be eating into the gains that IDB is making — people would be coming out of the system and going on the dole. If this scheme were to produce new jobs, that would be an economic argument in its favour, but I have to emphasize that that is not the case.

Mr Shannon: The point I am trying to make is that £150 or £200 per month is what I would call a part-time wage for a full-time job. Young people need some encouragement to move into farming full time and make a living of it. It is all very well looking at the overall picture, but you have to understand the circumstances of the farmers here and the young people who want to come into farming and what they are surviving on. You have to make them want to stay in farming rather than move off the land — I think your figures indicate that farmers are moving off the land. Mr Stainer mentioned the reduction in figures although he did say that they are, perhaps, levelling out at the minute, but I know a lot of farmers in my part of the country who have gone out of farming because, quite simply, there was not enough to survive on. They would like to have stayed on but there was not a big enough wage. They got married, they had a family, they had a house to pay for and there was not enough to keep them there — but if they had been there by themselves, they could have survived.

Mr Johnston: The only response I can make to that is that it is not the Government's policy to keep people on farms irrespective of the cost. The thrust of Government policy is to let the market decide, and if people can make a living out of farming, let them make a living out of farming; if they cannot, if sons and daughters cannot, they are free to look for jobs that are off the land. We do not have a Departmental objective to keep the existing farming population on their farms. The economics of farming will dictate the number of people engaged in it.

Mr Shannon: We are all committed to a stronger farming industry and people on the land want to see a farming industry that is strong.

Mr Johnston: That is one viewpoint, but there is also a counter-argument: fewer, more efficient, farms may produce a stronger farming industry more readily than small, inefficient farms.

Mr Shannon: Farmers' mentality is very much geared to efficiency and to improving the situation. They have shown that over the years, but the facts and figures perhaps prove otherwise.

Mr Johnston: Please do not think that I am saying that farmers are committed to inefficiency or anything. I am just trying to set out what Government policy is, and it is not to keep people on the land irrespective of cost.

Mr Ian Paisley Jnr: Mr Johnston, you were very candid in some of your comments about the EU finances in respect of this. I have a three-barrelled question.

First, are you admitting that the Department of Agriculture advises the Government that being a net contributor to the European Community is not actually worth it when it comes to a scheme like this, because net contributors are disadvantaged?

Secondly, you have really just looked at the schemes which currently exist. Have you considered looking at a flagship programme for particular types of farms in Northern Ireland? I am talking about a sampler programme that could be applied in the first instance to particular types of farms like HLCAs or pig farms.

And thirdly, in the context of your answers to Mr Shannon about creating jobs versus maintaining employment, do you consider that what you are doing is not only maintaining employment but actually upgrading the social conditions of young people on the farm, and that that probably has a much greater impact than mere statistics on the maintenance of employment levels?

Mr Johnston: Your first question was about EU membership and whether it is worth it. That is a very broad question and in the Department of Agriculture we only have a certain slant on it. I will ask Mr Stainer if there is any economic data on it. From our point of view, and from what I know of the overall picture in relation to the EU, the Government, collectively, have decided that EU membership is worth it on existing terms, and presumably the benefits are much wider than just the financial package attaching to agricultural schemes such as early retirement. If I may, I will ask Mr Stainer if he has anything to add to that.

As far as the question of a flagship scheme is concerned, and whether we have considered such a scheme, the answer is that we have not. I am glad you asked this question because it raises a point which we should have made earlier, and that is that we have arrived at no final decision about early-retirement schemes. The jury is still out on them. The Ulster Farmers' Union in particular has been a champion of a scheme like this but so far has not raised it as a potential way forward. If such an idea comes forward from any body including this one, we will, obviously, look at it, but it is not one that has received any consideration to date.

In relation to the upgrading of social conditions, yes, there is bound to be an element of that in such a scheme. We have not looked at this from an economic point of view in any great detail, but any such calculation would have to weigh up the costs against the benefits that would be produced, and we would have to look at whether this was the optimal way of producing the sort of social benefits to which you are referring.

May I ask Mr Stainer if he wants to comment on the question of EU membership's being worth it?

Mr Stainer: We take the view that EU membership should be assessed in more than just budget terms. The Government obviously feel, and there have been studies that show this, that there are economic benefits to be had from being part of a wider customs union and now a single market. The other thing is that we, unlike the other net contributors, have the Fontainebleau Agreement, and that affects the way the sums work out. As a net contributor, it is obviously in the United Kingdom's interests to keep the European Union budgetary expenditure down, but, as I say, the gains from EU membership are much wider than just budgetary.

Mr Ian Paisley Jnr: Yes, the Fontainebleau Agreement. You admitted that because you are a net contributor, it does not make any sense to want to spend EU money in your own country — essentially, that is your own money — because your own budget would have to increase and your own contribution would have to increase as a result. Based on that calculation, when the Department of Agriculture is advising the Government and successive Governments, is it advising them that the contributions to the EU are not worth it when it comes down to the actual delivery of schemes on the ground such as this one?

Mr Stainer: We have to look at it in a much wider framework. There are obviously gains well outside budgetary gains. When I say it is in the United Kingdom's interest to keep down budgetary expenditure, it is, of course, EU-wide, particularly in the EU-wide schemes and especially in the case of one country paying for schemes that are being run in other countries.

Mr Ian Paisley Jnr: I am worried about the fact that the Department seems to be having its cake and eating it. On one level it seems to be castigating the EU for the fact that it does not really make sense to have this, and then, on another level, it says that it makes sense to be part of the EU. That is the point I want to make.

Going back to the answer which you, Mr Johnston, gave me about the flagship programme, you said that this was a new idea and that it had not been brought to your attention. Is it not up to the Department to come up with such ideas and look at the delivery of a service?

Mr Johnston: The Department's responsibility is to look at ideas that are generated either internally or which come from outside. We try, particularly in the European field, to consult as much as possible and get ideas from people who, in European terms, would be described as social partners. However, our starting point is always to look at the European regulation, and the European regulation does not refer to flagship projects or anything like that.

Mr Ian Paisley Jnr: It does not rule them out?

Mr Johnston: No, but there is nothing either that would prompt the Department to go down that road. Our starting point is simply to look at delivering a scheme that is in complete accord with the European regulations. That is what we have done; we have also asked the outside bodies to let us know if there is any variation on that which they might want us to consider, but any variation like a flagship scheme would also have to be in accordance with European legislation. Coming to it cold like this, I am not sure whether you could set up a scheme that targeted HLCAs or pig farmers — whatever it was you mentioned. Such a scheme may be illegal from a European point of view. I simply do not know because I have not looked at it.

The Chairman: I would like to develop Mr Paisley's second question further. Many of us probably recognize that there is not a great deal of financial sense devising a scheme that mirrors existing proposals. I would find it hard to justify spending money to encourage a dairy farmer producing 1 million litres of milk a year that he needs an early-retirement scheme to be able to maintain a son or daughter in the industry.

But a very real problem exists for the an upland farmer. One only has to look at comments in the press over the past couple of weeks. In areas of England and Scotland it is estimated that there will be a 40% to 50% decline over the next 10 years in the number of farmers who are current farming in severely disadvantaged upland areas. It is that type of farmer which the Committee hopes will be targeted and who would benefit directly.

May I ask you to consider one point. The Committee visited the Isle of Man recently which is obviously a very small area. But they have justified support for agriculture, and it is all done through internal support. No external support is available to them. They have justified support for the industry by saying that both tourists and the island's inhabitants enjoy the countryside. They recognized that it is the farmers who maintain the environmental beauty of the countryside. Were farms to be deserted and sold off to millionaires seeking a tax shelter, the countryside would largely disappear.

I see a similar situation in Northern Ireland. This cannot be looked at just in terms of economics; it has to be looked at in terms of the social benefits to be gained by the people involved, the environmental benefits and the benefits to the country as a whole of maintaining our farmers in the countryside and on the land. Perhaps those issues are not being considered by the Department.

Mr Johnston: No, I take the opposite stance on that. Those are extremely important issues from the Department's point of view, but they go much wider than early-retirement schemes. These are issues that we have been looking at in some detail in connection with the "Agenda 2000" package. Virtually all that package's components will have implications for things like farm abandonment, social conditions, environmental conditions and rural development. So I am absolutely with you on that one — we are very conscious of that. Whether early retirement would have much of a bearing on the issues is another matter, but we are certainly not overlooking those issues.

Mr Poots: The Department seems fairly convinced for its position in being against this scheme and I certainly do not agree at all with some of your arguments. Indeed, the financial argument did not seem to take into account any benefits that would come from the extra tax revenue collected through farmers receiving a greater income. To that extent, while the Government are only getting 25% back through the Fontainbleau Agreement, there is the possibility of raising a further 25% through the Inland Revenue.

You also argued that it would make farms more efficient. That is the first time I have heard a Government Department argue against making an industry more efficient. Certainly, I do not accept a lot of the arguments put up today.

Do you recognize that there is a problem in getting young people to come into farming?

Mr Johnston: Before I answer that could I just reply to your earlier comments. The first comment was about the tax implications, and to that I should say that you could also add the savings made on social-security benefits. The Ulster Farmers' Union have mentioned both of those. The reason I did not refer to them was simply because there are conventions in Government accounting which dictate what you can and cannot take account of when working out benefits of this sort, and those conditions are laid down by HM Treasury in London. Mr Stainer can elaborate on this if it would be helpful, but I can tell you that the present rules forbid anyone from actually taking account of "gains" from increased tax revenue or reduced social-security payments. That is the reason I did not mention them.

I think you might have picked up my point on efficiency incorrectly. I was trying to say that if you can run an early-retirement scheme and it works, there will be efficiencies gained by the farms being bigger. But I indicated that the cost of producing that benefit would be something like four times the value of the efficiency gained. So there is efficiency to be gained, but at great expense.

Your third question was about trying to get young people into farming. Is that right?

Mr Poots: Do you recognize that there is a problem there with not enough young people in farming?

Mr Johnston: All I can say is that the demographics of agriculture in Northern Ireland are really no different from those elsewhere in the United Kingdom. It is accepted that there is a significant number of older farmers in the industry in the United Kingdom generally. Obviously, at some point, there is going to be a demographic phenomenon as they retire and younger people come in. I am not entirely sure whether that is a problem. I would have to ask my colleague, Mr Stainer, if he has any comments on that.

Mr Stainer: There has not been a problem with succession in farming over a very long period of time now. The average age remains high simply because transfer tends to take place when a son is relatively old. The rate of improvement in farm structure is much the same as that in the rest of the United Kingdom, and we have a reasonably efficient farm structure in European terms.

Mr Poots: There has not been a problem in the past because farming has been reasonably profitable and they have earned a living. But in the past number of years profitability in farming has reduced significantly. The fact that 9% of farmers are under 35 years of age whereas 52% are over 55 years of age indicates that there is a problem — a serious problem. If the Department does not recognize that problem, there is no point in our putting forward arguments for anything.

Mr Johnston: We certainly know the phenomenon you have described. I do not have the figures myself, but I assume your figures are correct. However, because a situation exists, it does not mean that there is necessarily a problem. I am not sure what the problem is. Mr Stainer has said that farming is an industry where succession has been at a fairly late stage in comparison with what happens in other industries. I presume the reason for that is that older farmers get other gains — apart from financial ones — from being involved in farming at a stage when the rest of us might have retired. That is how it has been. I am not sure that it is necessarily a problem as such.

On the question of farm income I am not sure that there has been a decrease. There may have been a decrease from year to year over a short period of time, but in terms of income, in comparison with say, 1992, farming is more lucrative now than it was. It depends on what is being compared with what, but I am not aware of any downward trend in farm incomes.

Mr Stainer: Certainly, farm incomes have been high over the last five years. Now this year there will almost certainly be a reduction which will partly be due to the BSE crisis and the depreciation of sterling. Even last year, after the impact of the BSE crisis, incomes were still the third highest in about 22 years.

Mr Johnston: Just in case we are giving the wrong impression, nobody is saying that farming does not have any problems. We are saying that there are problems out there with efficiency and other matters. But an early-retirement scheme, run along the lines that are set out in the European legislation, has so far at any rate not looked to us like the way to deal with those problems. In other words, if the problem is sufficiently serious other ways will be found to deal with it, and those ways will be more effective and possibly cheaper.

Mr Poots: I asked whether you thought there was a problem with not getting enough young people to come into farming. If we cannot do that, we will have problems with the environment. This has already been raised by Mr Campbell, and it is going to come up in later years whether you like it or not.

It is my view, and I think it is the view of the Committee also, that we need more young people in farming. This early-retirement-scheme should not just be looked at in isolation. We need other schemes to encourage young people to come into farming. We want to encourage young people to come into other industries and the Welfare to Work scheme is there to encourage people under the age of 24 to get into some sort of work. Could the Welfare to Work scheme include farming?

Mr Johnston: Sorry, I am not sure what exactly the Welfare to Work scheme is. I am not aware of anything in my sphere of competence that is relevant to that.

Mr Poots: I am supportive of this early-retirement scheme but I want to see something even broader than that; something which would encourage young people to come into farming. It cannot be looked at in isolation.

The Chairman: I am a bit concerned that you do not seem to recognize that the elderly age at which farmers have to retire is a problem. They have to remain on until they are 65 or over because they cannot afford to retire earlier.

Mr Johnston: That is certainly one point of view. You could also argue that the reason they carry on farming until they are 65 is that they like farming. A lot of farmers like being on the land, being their own bosses, dealing with animals and all the things that go hand in hand with farming. So, for all I know, that may well be a significant factor in their minds.

The Chairman: Surely you cannot take a decision on something that is fairly important on the basis of perception? A farmer may like farming but at the same time he may wish to retire at 58 or 60. The Civil Service makes provision for its staff to retire early; industry, by and large, makes provision for its employees to retire in their late 50s and early 60s; and business in general makes provision for its members to retire at about 60. The one sector in which there appears to be no provision is agriculture — farming.

Mr Johnston: There are two points. Farming is a bit different from other industries in that the people involved are self-employed. The other point is that the Civil Service’s early-retirement scheme is not open to everybody on demand. When the Civil Service runs an early-retirement scheme, only about one tenth of the applicants are successful; sometimes no applicants are successful. So, in the Civil Service if you wish to stop work when you are 55 years old you cannot just go along and get your money. In most cases civil servants are expected to work until 60 years of age.

The Chairman: Not 65 years of age?

Mr Johnston: It used to be 65 years of age. There may be some grades where it still is, but generally speaking it is 60 years of age.

The Chairman: It is not seen as a problem for farmers to continue working until they are 65 years old?

Mr Johnston: They are self-employed. The reason the Civil Service reduced its retirement age to 60 was simply that it was considered to be in the Civil Service's interest to have a higher turnover of staff — a structural argument was advanced.

The Chairman: I appreciate that farmers are self-employed, but can you think of another industry that is more controlled by the Government or more controlled by Europe than farming?

Mr Johnston: No, I cannot. However, the bottom line is that farms are individual businesses which the farmers themselves run, and they take decisions based on their own circumstances.

We are coming across as negative because of the views expressed by those the other side of the table. I want to re-emphasize that we have not definitely made up our minds on this. It has been put to us that we should have a scheme along particular lines and we have given our reaction. If somebody can convince us that we are missing something, such as the sort of points that Mr Paisley mentioned earlier, we will be happy to look at them.

The Chairman: Please forgive our probing questions, but that is the point we are trying to make: we want to produce something that is convincing. That is why we are going into things in a bit more detail. When Mr Stainer, you said that farm incomes are high. Can you put a figure on it? What is the average farm income?

Mr Stainer: I was talking about the income of the industry as a whole. The total income for farming in 1996 was about £309 million and that was down by about 6% in money terms and 8% in real terms from the previous years. But it was still a very high level historically.

The Chairman: Could you translate that overall figure into terms of a person's average weekly or monthly wage?

Mr Stainer: Not off the top of my head. In any case, we have a large number of very small farms and 3,000 to 4,000 medium-sized to large farms, so an average would not really give you an accurate picture. We produce figures by farm type and size, and there is quite a range in the incomes earned. Some people have very large incomes indeed while others have very small incomes.

The Chairman: When you say that the average farm incomes are high, what are you comparing them to?

Mr Stainer: They are high when compared historically with the aggregate income of the agriculture industry. The last three to four years have been very good indeed, though I will qualify that by saying that there will almost certainly be a fall this year in the overall figure.

Mr Johnston: If it would help the Committee, Mr Chairman, I will be happy to send you the statistics on farm incomes to which Mr Stainer referred.

The Chairman: That would be helpful.

Mr Junkin: If the parameters of the scheme were changed a bit, would the overall picture change? For example, you talked about 5,000 farmers aged between 55 and 65 years of age with small farms and about another 1,000 who would be in the same age bracket but with larger farms. If you were to change the parameters, would that make the picture any different? Have you tried to change the band width?

Mr Johnston: We have not, Mr Junkin, because so far we have simply been addressing the matter of whether the European scheme is applicable in Northern Ireland. The European scheme sets out the parameters and our calculations have been based on them, taking account of the fact that there are variables and unknowns. We have looked at what has happened south of the border in terms of uptake to give us an indicator of what we might expect. So we have not done any sophisticated modelling. We have simply taken the European scheme as it is presently constituted and tried to apply it to our local situation.

Mr Junkin: Have you had any indication that a scheme just for those aged 60 plus might be a lot cheaper than one for those aged 55 plus?

Mr Johnston: You could do the sums on that but the difficulty is that as soon as you tried to introduce such a scheme, you could be faced with a, say, 58-year-old who was prepared to take you to the European Court saying "The rules say that I am allowed in and yet you are keeping me out." And he would be right. So we are not actually our own masters here.

Mr Junkin: We are keeping them all out at the moment.

Mr Johnston: I know that. But what I am saying is that if you were to open it up to a limited number of people, others could claim that they were being disadvantaged. At the minute nobody is in, so it is not an issue.

Mr Junkin: A lot of farms have really been sponsored over the years by the Government. Many farmers seem to have had almost free sheds and dairy units built by using grants carefully and wisely — and those are really a Government/Community investment.

However, when such a farmer reaches the age of 60 or 65, in the days when he is expected to be able to drive a 120-horse-power tractor and have a 200 megahertz computer, he may think to himself "This is just not for me anymore. What do I do? Do I just let the place run down and maybe when I 'pop my clogs' in another 20 years time the sheds will be rusted and collapsed — all the things that the public have paid for?" This is where an early-retirement scheme could be useful for ensuing that these publicly-paid-for assets were still in some way able to continue to benefit the whole of the community.

Mr Johnston: I would refer back to my answer to an earlier question. We agree that that is a potential difficulty, but there are other strands in the potential answer to it contained in the proposals in the Agenda 2000 package which would have an affect on that as well.

We agree, and I emphasize again that the industry is not without its problems. What we are saying is that a European scheme based on the model that we have in front of us does not necessarily represent the answer to those problems, or at least not a cost-effective one. The other measures that we have in the pipeline in Agenda 2000 may well have a greater effect on farm incomes, at least potentially, than this particular one. We just have difficulties with the European scheme in the Northern Ireland context — or the United Kingdom context, actually, because the same issues are being raised across the water.

Mr Junkin: Is there any movement in Europe to narrow the scheme down at all or to adjust it in any way in the light of the benefit and experience they have gained?

Mr Johnston: I am not that close to the Europeans on this one. All I can tell you is that I am not aware of any proposals afoot to change it in any way. It will be reviewed during the Agenda 2000 deliberations, and who knows what will come out of that. It may well be fine tuned and made more attractive or more efficient. But my straight answer to that question is that I am not aware of any such proposals.

The Chairman: If a scheme were to be devised do you feel that it would be better to be completely separate from the European model, without any European influence?

Mr Johnston: That is certainly one option. We would at least be free to put something in place which suited our own circumstances.

But in the agriculture field generally we are not entirely free to do whatever we like; very often you find yourself in trouble when you try to proceed with the simplest things that you thought had no European dimension at all. I suspect that we would run into legal difficulties if we were to try to do something that did not pay due deference to the European position. We could find ourselves in trouble with state aids or some such complication. But in an ideal world that would certainly be one way of addressing the issue.

The Chairman: Do you have any idea of the level of private pension provision for farmers in Northern Ireland?

Mr Stainer: No. We have no information on that.

Mr Masson: I have three questions. First of all, Mr Johnston, you started off by talking about the criteria for a son to take over a farm. What are the competency factors that you were talking about, for example, in training?

Mr Johnston: I am not sure that I can actually answer that. Mr Doherty may know more about this than I do. But one of our difficulties is that we do not have a scheme at the minute, and it is only when you actually devise a scheme in accordance with European legislation that you see the word “competence” and then start to work out how to define its qualifying criteria. I suspect that we have never addressed that issue. We would probably do it on the basis of somebody who had attained a certain level of qualification at an agricultural college, for example.

Mr Doherty: I cannot help you very much on it but I could find out some information for you. I know that the EU regulation refers to a specific article in another regulation which states that a person’s main occupation or competence has to be defined. If the Chairman wishes, we could supply that information.

The Chairman: Thank you.

Mr Masson: My second question touches on the agricultural and environmental issue again.

In Northern Ireland there is a fair body of legislation underpinning the Environmentally Sensitive Areas (ESAs) and Areas of Special Scientific Interest (ASSIs). If a retirement scheme were to come into effect, could you see some sort of distinction being made between farmers having holdings in those areas and those with farms in non-ESA areas? Could they be disadvantaged in some way in terms of the requirements?

Mr Johnston: It is difficult to see how there would be a conflict there because, as somebody has already pointed out, these schemes already exist in other member states which have ESAs, and I presume they have addressed any such problems arising in that area. I do not think there is any insuperable problem there.

Mr Masson: My third question is whether it might be possible for the Department of Agriculture to make an initial investment in a retirement scheme but have a graduated project allowing them to reduce their investment over time as the industry would to invest in retirement itself?

Mr Johnston: That is something we could look at. But the problem is that early-retirement schemes are not like, for example, capital-grant schemes where you can put a pocket of money to one side to use for building sheds or whatever for two or three years. Once you allow somebody aged 55 into a retirement scheme, that person has rights until, presumably, 65. Even the shortest scheme would probably end up having to run for 10 years, and then you would be getting into the sorts of figures that we have already mentioned. So, while a pilot scheme sounds like a good idea, I suspect that it would end up being just as expensive as a full-blown scheme. It is one option that we could tease out in more detail, but I suspect, off the top of my head, that it is probably not a runner.

The Chairman: Have you any information about the effectiveness of the European scheme in countries where it has been taken up?

Mr Johnston: Well, it depends on whom you ask. Our feeling, having been round other member states, is that it is a bit of a mixed bag, although I would stress that a lot of this is anecdotal evidence. The farmers' representative organizations that are trying to pursue this scheme would tell you that they have been a resounding success, whereas people in MAFF who know about these things would query that.

I will just run through a few of the schemes, though I do not know how successful they have been.

The scheme in the Republic of Ireland approved early retirement for something like 3,000 farmers in 1995. But I gather that as a result of changes to their tax regime recently, the number of participants has subsequently shot away up. That does not of course tell you how efficient or effective the scheme has been in delivering its objectives, it just tells you how popular it has been.

In Denmark the number of applicants unable to meet the requirement of having to have practised farming for the 10 years preceding their proposed retirement has been large. This has resulted in the scheme’s being a disappointment in Denmark with not that many participants.

In Finland there has been very little uptake.

In Italy there was strong initial interest in the scheme as they have a large number of farmers over 55. It was therefore expected that Italy would have a big uptake but, in fact, there has been a very small uptake. In spite of the early large interest, few people have actually gone into the scheme.

The uptake in Spain was also disappointing with only 3% of the eligible farmers applying.

France is probably the flagship member state. Its scheme has been in operation since 1992 and it has been successful in restructuring agriculture there. I suggest that this success can be attributed to the phenomenon which I mentioned earlier — the fact that France has a huge number of very small farms, going back to Napoleonic settlement patterns, I gather.

There has been a very poor uptake in Portugal with many farmers not being able to meet the eligibility criteria. On the other hand, Germany is another success story — the scheme has apparently been quite popular there with a big uptake.

The Chairman: Finally, could you give us any guidance on what might convince the Department?

Mr Johnston: Somebody would need to produce evidence that suggested that expenditure on the scale that we are contemplating would actually produce benefits commensurate with that level of expenditure — because that is what we are about.

Somebody mentioned the fact that we have other grant schemes that do not seem to present a problem. However, each of those schemes will have had a cost-benefit analysis done which will have shown that their outputs were going to be higher than their inputs. In this case when you do that calculation it works out the other way round. So, if somebody can produce a variation on a scheme which is consistent with European legislation and produces worthwhile benefits, then, of course, we will take it forward.

Mr Shannon: Not everything comes down to cost. But in all the countries you mentioned there is, of course, one option which the farmers here could probably take — for example, you could buy 20 acres in France and qualify right away. Whether that is possible or not I do not know?

What I am saying to you is that there is more to this than just cost. You are telling us today that to have any chance of winning our case we must convince the Government on the cost factor. We are trying to make the point that there are lots of other issues, ones which relate to other countries in Europe as well.

Mr Johnston: I appreciate that. However, the thrust of Government policy over the last 20 years has been very much cost-driven. Even environmental and social benefits — areas that you would not necessarily have associated with costs in the past because they were thought to be intangible — now have to be costed. So while I personally agree with you, the fact is that the Government approach is now very much driven by costs.

The Chairman: May I thank the three of you very much indeed. It has been most helpful.

NORTHERN IRELAND FORUM
FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 6 November 1997

MINUTES OF EVIDENCE
(Mr C Mathers, Mr R Watson and Mr A Waugh
Northern Ireland Meat Exporters Association))

on

AGENDA 2000

The Chairman: Finally, let us look at the **Agenda 2000** proposals. Why are you being so hard on the dairy men who are shouldering some 80% of the agriculture debt burden?

Mr Mathers: One of the things that is proposed under Agenda 2000 is that money should be taken out of the beef budget to support the dairy men, and that is the reason we have a view on that.

The Chairman: Tongue in cheek.

Mr Watson: I would not have been as kind to them.

Mr Mathers: If this was not being recorded, I might not have been either.

Mr Poots: I want to give my opinion on Agenda 2000.

The suckler producer has one item to sell in the year: his calf, be it a bull calf or a heifer calf. There should be no subsidies for anything but the suckler cow. A very good subsidy on the suckler cow would enable beef finishers like me to buy calves at a reasonable price without the hassle of punching and other nonsense that stresses the cattle. It would enable me to keep that beast and sell it at whatever age I wanted to sell it. It would mean that I would not have to keep the calf until it was 23 months-old if it is a quick-fattening one. It would allow me to watch the animal and see that it is coming up well.

Forget about punching the cattle; give the suckler man a good price for his cow, and that will compensate him for taking a bad price for the calf. The dairy man has his milk to sell, and he is just going to have to market it in the same way that you people have to market your beef. You have to make the best of it.

Mr Watson: I agree with you.

Mr Poots: It is taking many people out of jobs too. There are many artificial jobs knocking about there as well.

Mr Watson: Our concern is with the way that payments and the industry are structured at present. It does not seem to be as beneficial as it should be. For example, on 19 March 1996, we were paying 242p per kilo to the beef producers here. That was the top price then, but beef producers were not making money at those prices because they were passing it on. The people who were supplying us had just come through their second or third winter of losing money because they were not able to buy the raw material cheaply enough to be able to feed the cattle through the winter and sell the beef at a profit.

If we are going to develop our industry — and we are talking about selling a product on quality — we are going to have to be able to sit down with farmers and look at the long term. I find it very difficult to understand farmers who buy animals on the strength of the beef market on the day they buy their raw material only to sell them two or three months later not knowing what the market is going to do. That is crazy and no business can be founded on that way of doing things. We are certainly not talking about sitting down and trying to arrange long-term contracts which have worked with varying degrees of success in other parts of the agricultural industry.

If we are going to get our beef farmers into a more profitable and controlled situation, it would be nice to see more money being paid to the primary producer at the start. The animal could at least then be measured against a price — it could be bought and sold against an end-market price. Then we could sit down and start to structure the industry, focusing more and more on quality. And we could look at diversifying more into quality breeds or whatever the market-place demanded instead of treating it like a commodity a lot of the time. There are many merits in that.

We have concerns about capping and certain things like modulation in Agenda 2000, but there has to be some sort of restructuring of the payment systems. This is particularly important in the beef industry because farmers will tell you themselves that the payment systems have not worked to their advantage. There has been money about and a lot has gone into the industry, but it has not been to the benefit of those who really needed it.

Mr Poots: Subsidies have virtually wrecked the market because they brought in the system whereby you have to have so many acres of land to get so many cattle punched. It has driven the price of land through the roof — £180 to £200 per acre, and the land is not worth it.

And then there is the £100 on the two punches for the calves. Perhaps a good continental bull calf was making £300, but it was never worth £300. That sort of thing drove the costs of producing the meat up far too high. If you could get the primary producer who is producing the good-quality suckled calf good compensation for keeping the cow, that calf would come on to the market. If you were not running about bidding against your neighbours and raising land to silly prices, we could produce beef for 160p a kilo. And that is what we are going to have to do; if that is the price that beef is going to be in Holland, we are going to have to do it at that. We are going to have to cut costs — there is no other way of getting round it.

Mr Watson: It has always been a concern of mine that Northern Ireland has been somewhat restricted in producing good quality products when it has plentiful natural resources. Since 80% of our land is in grass the only way we can get a revenue return from it is by turning it into beef or milk. But why should they try to restrict us in that respect when there are other countries, for instance Holland, who over the next 10 years will have to reduce their livestock units by 25% because of their population and environmental problems. It would be better if Europe were to start to focus in on areas such as Northern Ireland and the Republic of Ireland which are very good at producing beef and say "They should have help to produce beef. Let us look at another area which may be good at producing other things." So there should be a more targeted approach.

I know that Brussels has said something about member states having more and more control of their budget, but if this were to be the case I wonder just how honest the Government would be with us in Northern Ireland; the signs in the past have never been favourable to Northern Ireland in terms of the allocation of any United Kingdom budget.

The Chairman: How do we achieve the objective which you set out in your earlier remarks for farmers effectively to agree an end price, with other prices then coming back to correspond with that? Would that be through yourselves contracting out?

Mr Watson: It is a matter of the retailers contracting out. Never have the primary producer and the retailer been closer. Ten years ago there were five steps between the beef farmer and the consumer, now there are three steps. There is no doubt that the retailers want to get more and more involved with the farmer because it then becomes very easy to work out the processing costs. It would be very much in the interest of the retailers to do that and to be able to say that they have groups of farmers who know exactly where and when they are going to sell their products.

The Chairman: Are they thinking along those lines?

Mr Watson: They are. But how can you put a finger on price? They would be delighted to sit down, but there is not one farmer who could say which way it is going to be because we do not know what is going to happen with regard to subsidies, payments and other supports in the industry. If they were removed to a certain extent or reallocated, you would have a more balanced view of a market price. You could sit down and say "The price today is X, and for a farmer to keep animals for that long he is going to need Y to give him his costs plus a margin." That is the way forward and I hope that that is the way it will go in the future.

Mr Speers: By and large there used to be some guaranteed prices.

Mr Mathers: There is a wider agenda to Agenda 2000; it is not just looking at what is happening in Europe. Agenda 2000 is going to be influenced as well by the enlargement of the EU and by the levelling of world prices under GATT. GATT is a totally unknown quantity to me as yet in terms of the overall effect that it will have across the food industry.

The reference to the United States of America at the end of that paragraph relates to a recent visit which I made there to a factory that produces turkey meat. They slaughter 3,500 turkeys per hour, and they are an EC approved plant which is now introducing its product on to the EC market. They slaughter turkeys in the range of between 38 pounds and 40 pounds, and the farmer is currently getting about £7.20 for each turkey. That company's whole strategy is to hit the European market in the year 2000 when world prices equalize. So that is a strategy out there that we are not paying enough attention to, and it is going to have a bigger effect on our industry than what we read about today on Agenda 2000. It is something we will need to keep our eye on as well.

Mr Poots: I am glad you raised the question of the United States factor because we are operating under different standards in that the milk in the United States is treated with BST and the beef cattle there are treated with hormones.

Mr Watson: And fed meat and bone-meal.

Mr Poots: It makes it a completely unlevel playing field. If we are having to achieve those cattle standards which we heard about at the beginning of the meeting, how can we compete with that? It is impossible.

Mr Mathers: The agency should have a wide remit there.

Mr Watson: Do you even believe that the food agency will try to dictate the controls on other member states, let alone across the world?

Mr Poots: The labelling of food will have to be essential, and food treated with hormones, for example, will have to be labelled as such.

The Chairman: The outcome of this current court case will be interesting and, presumably, will set the precedent for the future.

Mr Speers: There was a similar interesting article in 'The Irish Farmers Journal' a couple of weeks ago focusing on the potential for Australia and New Zealand to flood the markets with beef at totally unrealistic prices and without the degree of controls that we have come to accept and require.

Mr Waugh: You can buy fresh meat from New Zealand today at 60% of what Mr Watson or I can sell meat at. Duty is paid at 60%. You can buy topsides at £1.00.

Mr Watson: It is delivered half way round the world, so there is something there.

Mr Mathers: A few months ago I was in a meat factory in New Zealand which was paying the farmer 170p per kilo for his cattle. On the same day that factory was producing an order for a company in England. It was an EC-approved plant.

Mr Speers: The point that needs to be emphasized is that in such a global market the same degree of controls — for example, on labelling of foods — must be imposed on imported foods as are placed on the United Kingdom's own produce. The Government have an obligation to do that when they are talking about a food agency. What is sauce for the goose is sauce for the gander.

The Chairman: Thank you very much for that exchange of views and for giving up so much time to come here again. I know that Mr Watson, in particular, has travelled a great distance.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 13 November 1997

MINUTES OF EVIDENCE
(Mr W Stewart, Mr H McKay and Mr J McConnell
(Planning Service))

on

PLANNING

The Chairman: May I welcome, on your behalf, Mr Wesley Stewart, the Chief Executive of the Planning Service, Mr Hugh McKay, Mr John McConnell and their assistants. You are all very welcome, and we thank you for coming to assist us in our deliberations.

We are trying to prepare a report on factors which affect young people's entry to or continuance in the agriculture industry in Northern Ireland. We had a series of meetings with farmers throughout the province earlier this year, and the dominant factor was and remains the problem of BSE. However, another issue which kept coming up was the unwillingness of sons and daughters to remain in farming, particularly in the more isolated, rural areas. It was suggested to us that one of the reasons for this was the difficulty of obtaining planning approval for dwellings for sons or daughters to enable them to remain on the land.

So we are pleased that you have been able to come to give us an insight into how planning decisions are made. And perhaps during questioning afterwards we can explore some of the issues that were raised with us by farmers. I know that many members are in contact with your service in their local-government roles, but the purpose of today's meeting is to deal with policy and the general problems that have been put to us as a Committee rather than to explore specific cases.

Mr W Stewart: Thank you, Mr Chairman. It is a privilege to have the opportunity to speak to the Committee.

First of all, I propose to give you a quick outline of the structure of the operational Planning Service and then move into the more detailed, agricultural dimension.

The Town and Country Planning Service was set up in 1973 and operated for 23 years before becoming, as the Planning Service, an agency within the Department of the Environment in 1996. We operate under the Northern Ireland Planning Order 1991, and since we became an agency we have produced corporate and business plans. This year, for the first time, we have been able to produce an annual report on the activities of the Planning Service. I understand that copies have been distributed to you, so I will not dwell on that.

The main aim of the Planning Service is to

"plan and manage development in ways which will contribute to a quality environment and seek to meet the economic and social aspirations of present and future generations."

And that sets the tone for the agricultural and rural sectors: the aim is to look at the social and economic conditions for the future.

In the context of strategic objectives, we are very much aware of our customers in the agency, and we aim to provide high-quality, professional planning decisions and to pursue continuous improvement in the delivery and quality of services that we offer to our customers. We aim to get speedy information out to the public at large because I have found that there is ignorance of the Planning Service and its procedures — and that is really our fault. So, in our first year of operation we concentrated on producing a series of leaflets to provide more information for the public and, we hope, to get a better response from and develop a better rapport with councils and the public in general.

From an operational point of view, we try to ensure that we have development plans and development control procedures to promote the orderly and consistent use of land and to provide a framework for investment and the physical regeneration programme which operates throughout Northern Ireland.

On the financial and administrative side, we are, like everyone else, constrained in our budget, and we have to secure ongoing value for money. We have to ensure that all our expenses are covered and that everything is documented. We are very aware of our staff resources, and we try to maintain a high level of motivation among our staff and develop their skills. We also explore opportunities for the introduction of private finance initiatives where that is possible.

In terms of the management structure, I sit at the top of the heap, so to speak, as the Chief Executive; John McConnell is the Director of Corporate Services; and Hugh McKay is the Professional Services Manager. As you probably know, we operate through six divisional offices and two sub-divisional offices, and we have six divisional managers who look after the day-to-day activities.

The figures on the screen relate to the budget, including running costs. Departmental running costs amount to £10 million, but we also have additional costs for our consultancy budget and income from planning applications and fees. We have an annual budget of £13 million.

Our main business area is obviously development control, and we deal with about 19,000 applications per year. There are 3,000 enquiries about whether a planning application is needed and 2,500 pre-application enquiries. This is quite productive from our point of view because if people talk to us before they put their applications in and pay their money, then, we hope, we can give them good advice that will lead to a satisfactory resolution of their particular case.

We normally have something in the range of 200 live enforcement cases at any time. That is on the control side.

Development planning is something that you are all aware of — there are area plans, local plans and comprehensive development schemes among others. So we have a programme for development planning throughout the province.

One of our other roles is to support the physical regeneration programme that is going on through CRISP, CERS and community schemes, and we have staff specifically allocated to that.

In addition, we provide a property-certificate service to the legal people. I am quite proud of the property certificate staff because they handle about 28,000 requests for property certificates per year, and they are hitting their target of processing over 90% in 10 days. That is a major achievement because we used to get complaints from the Law Society about six-week delays in getting these things through. The staff and technology have assisted in getting a major turnaround in our performance in that sphere of our work.

The Northern Ireland Affairs Committee looked at our work and quite a lot of positive things came out of that. Obviously, the Department has responded to the things that were highlighted and one of those was the primary legislation. That was in the context of moving towards the plan-led system, which means that the development plan has priority in the development-control process. And we are also introducing legislation to bring us up-to-date with enforcement powers elsewhere in the United Kingdom.

We are also seeking to reform our operational activities within the Planning Service by audit control and bench-marking of our performance. And we are working on additional planning guidance.

Many of the things that were recommended by the Select Committee were initiatives that we were already working on. For example, the suggestion that we have additional planning guidance has resulted in a series of leaflets being produced which have gone out to the public. According to our research they have been very well-received by the public and assist in their understanding of the whole process.

We also produced a series of planning-policy statements about retailing, industry and those types of things — you will be aware of them. This was to try to set the scene for development and investment, to update other policies that have been included in other documents and to try to monitor and keep the whole thing as up-to-date as we can.

I also want to mention the democratic deficit, which we are all very much aware of in terms of the rapport between councillors, the public and the Planning Service. You may be interested to know that out of our budget of £10 million, we estimate that £1 million is taken up by the consultation process with the councils. And we have followed that up by putting out consultation documents about working relationships with the councils — I am sure you have all had an opportunity to respond to them.

Like all new businesses, we are working under the ethos of performance targets and measures, and that has really sharpened the whole thing up a bit. We have something like 19,000 applications a year, and we have performance targets for producing area plans within a certain time. We also try to measure the quality of our service — we have introduced customer satisfaction targets and targets for processing applications. I mentioned the property certificates and the success that we have had in that field.

With regard to efficiency, you are probably all very much aware of the constraints posed by financial cut-backs and spending reviews. We are faced with achieving a 3% efficiency gain every year. We do not have an option on that because it is just taken off our allocation before we receive it, so we have to live within our means. That is reflected in our own financial performance — we have to make sure we are living within our means and giving good value for money.

Let us look at the rural scene now. The rural planning strategy was introduced in September 1993, and I know it was said at that time that there was not enough discussion and debate for people to accept it. But I can assure you all that we were very much aware of the comments that were coming through and of all the debate that had been going on for a considerable time before we got round to producing the statements. We started off with the rural planning strategy in September 1993, but we rapidly moved to augment it by giving additional guidance, especially in relation to building in the countryside. We also produced a rural design guide.

We tried to front-load the system by giving advice to people so that when they put their applications in, there was a much better chance of their being successful. One of the exercises that we carried out in our first year of operation as an agency was to try to reduce the number of invalid applications that come through. There is nothing as frustrating as putting in an application and having it sent back. It sits for ages with nothing happening on it, and the applicant wonders why nothing is happening on it. And quite often it is because the thing has not been completed properly. So we issued a lot of additional guidance, both to agents and to applicants, about how to go about making the applications, and we achieved some success in reducing the number of invalid applications. It is something which I feel quite strongly about because if people are paying money to an agent to apply on their behalf, it should be done in a professional way and there should not be this hiccup caused by the application's not being completed properly. So we have had success on that front as well.

The policy statements in the rural strategy will be reviewed, and there is an ongoing programme trying to update those policy statements in relation to development in the rural area. But the overall rural strategy is to promote a healthy, rural economy and to support rural community life. We feel we have adopted a positive but flexible approach to these circumstances, and we have recognized the distinctive rural pattern, in both the eastern and western parts of the province and in the more remote areas.

We are approving between 2,500 and 3,000 applications for new dwellings in the countryside per year. And, as I say, only 25% of the countryside is subject to special control. This is where the applicant actually has to prove a particular need to live in a specific location, and this is where a lot of the debate and the controversy can develop — within 25% of the total area of the province. In the remaining 75% you do not have to prove a need, but you have to comply with all sorts of other standards and designs. They are set out in the rural planning strategy, and additional guidance has been given to the public in the form of the design guides that we have produced for Northern Ireland generally and for areas such as the Antrim Coast, the Glens, the

Mournes and other areas of outstanding natural beauty. These have had special design guides produced for them.

But you will see from the figures that the overall approval rate for new dwellings and replacement dwellings is 83.6%. Even within the 25% of areas that are restricted there is still a 74% approval rate for applications for houses in the countryside. And if you move into the more relaxed area, the figure rises to 87%. Although the impression is given that not many approvals are given in the countryside, when you look at those statistics you see that quite a high percentage of approvals are given. These result in between 2,500 and 3,000 new dwellings a year in the countryside. That can cause difficulties because the countryside can only cope with a certain amount. Its capacity can be tested both visually and environmentally.

I have set the scene, giving you an idea of how we deal with applications and what the success rate is. Now it is time to field a few questions, specifically about the agricultural dimension.

Mr McCarthy: You mentioned twice that you would like to see the customer coming and looking for advice, but you also said that they came for advice and paid their money. You said that.

Mr W Stewart: If I did, I am sorry. They should come for advice before they pay their money.

Mr McCarthy: I would like to see my constituents going for advice, but I do not want to see them having to pay money and being told no.

Mr W Stewart: We are not allowed to ask for money for a pre-application enquiry. I am sorry if I misled you. My advice to everybody is to come and talk first of all and then pay somebody to put in an application.

Mr Shannon: I have a number of questions.

When you drew up your planning strategy for rural Northern Ireland, what was the input from local, farming organizations with regard to policy for farm workers' houses or similar buildings on the land? Did you consult with those groups to see if it was possible to reach an accommodation with them?

Mr W Stewart: We had detailed negotiations with the Farmers' Union — I can recollect having discussions with Jim Simpson — about the particular needs of the farming community. In fact, the Farmers' Union provided us with a detailed submission.

Mr Shannon: How much of that submission did you take on board?

Mr W Stewart: We made provision in the document for a policy on retirement dwellings and for the particular circumstances in which we would accommodate additional dwellings on farms. We have built in that flexibility. But it may not be to the extent that was required by the agricultural industry.

Mr Shannon: The policy probably does not adequately reflect the viewpoint of the farming community and those who live in the countryside. People who have lived in the countryside all their lives have, for too long, seen other come from outside and build houses. However, when they then apply to build a house on their own land, they find they cannot do it. That has created a very serious problem.

There is much talk in the policy about farming, about the number of viable farms and about the number of hours that farmers work, but have the Department any plans to look at the case of part-time farmers whose income is not necessarily from the farm — although the best part of it could be — and who have lived on the farm all their days? The Department has a very strict policy for those who earn their entire living from the farm, but we must remember that things are changing, and the Department should be trying to address those changes when considering their policies.

Mr W Stewart: We do have sections in the report dealing with farm diversification. They were included because of the changing circumstances in the countryside and the shift towards part-time, agricultural jobs. We knew that other schemes were being introduced to supplement income.

We receive applications regularly for development on farms. We have targeted schemes that make alternative use of derelict, or disused, agricultural buildings. We have received a significant number of applications for that type of activity, and we are very sympathetic towards them.

You also mentioned the difficulty that local people are having in staying in a community where they have lived all their lives. This is something that I have difficulty with because our concern is to do with how a development will fit into the landscape. At the same time nobody gets to build in the countryside unless he gets the land from someone else. So, it is quite sad to find that someone has got permission to build two or three houses on his land and then has sold them. And then he comes back and says “My son wants to get married now, and he wants to live on the farm.” But we have criteria for the integration of dwellings into the countryside — which are contained in the guidance notes that we distribute — and it is very difficult to say to that person that he can erect another building without its creating a completely new hamlet.

That is quite a common experience, and it is why we have been working with the Housing Executive on their rural strategy: we have been looking more closely at smaller settlements, and at crossroad settlements, in order to try to group developments. However, it does not get over the problem of having to pay for the site and this, again, is something which we recognize to be a constraint. To get a site for nothing is a tremendous bonus; but if the cost of living in the community means having to move down the road and pay somebody else for the site, then it becomes more difficult.

Mr Shannon: That might be the case in some circumstances, but I am suggesting that on some occasions people who were born on the land, who own the land, who work the land and who have their own herds have been unable to build on that very same land. I have a couple of cases in mind where the policy has failed those people. The farmer has not sold the land for anybody to go and build houses on it — he cannot build his own house on it, and he is a substantial landowner.

Mr W Stewart: You could let me have the details of that case later.

Mr Shannon: I am trying to make the point that your policy has not addressed the issue for those people.

You also mentioned that farmers should look towards diversification. However, a number of years ago we made a case for diversification, based on the policy as drawn up by yourselves, and again the Department said no to it. You have said that the Department looks sympathetically at diversification cases, but it has not happened in those cases in which we have been involved. There was a dwelling shed of some substance which adhered to the policy on diversification — it would have taken a man with x-ray eyes to have known what was going on inside it — and yet the Department said no to it. This is another example of where this policy, this rural strategy, has fallen down.

Mr W Stewart: Again, I am not aware of the details to that case. There are different problems with diversification. You will all appreciate that investing in a shed can lead to a very successful business developing, and the whole thing gets out of all proportion. We are then faced with applications requesting enlargement of the operation in what are totally isolated areas. That is a dimension which can create its own problems. The other one that has created difficulties for us has been the development of sheet-metal works in rural areas where there may be a problem with noise, rather than with its being visible. We do take a pretty positive view towards genuine farm-diversification schemes, within the confines of existing structures.

Mr Shannon: We will agree to differ on that one.

Anybody who listens to the news knows only too well that farmers are under tremendous pressure. There are farmers who have worked the farm for a number of years only to hit upon hard times. Those men have then had to take a job in town in order to supplement their income. This policy does not address those particular circumstances. Does the Department have any intention of addressing that? Farming is changing and we have got to try and change with it.

Mr W Stewart: I have just been reminded that one of the policies does also provide for permission to be given for housing, when it is not strictly necessary, for agricultural purposes.

Mr Shannon: In areas of special control?

Mr W Stewart: There are difficulties in areas of special control, but there is still the opportunity, under one of the policies, for dealing with the exceptional case. We have always tried to hold a position where we can deal with the exceptional case, but we do then run the risk of the exception becoming the norm and the whole thing falling apart. But we could certainly look at that particular aspect of it again.

Mr Shannon: I would appreciate that.

In your booklet point number 44 says

"Land taken in conacre will only be considered in the assessment of need when it has been a regular part of a farm unit over a considerable period of years."

Then it goes on to talk about farm viability. But I am again suggesting that that in itself has not addressed farmers' needs. For instance, a farmer's son moves into the business with him and takes on a full-time position. He has his own plans and ideas — as young fellows do when they come back to the farm from college — and he wants to get on with them. He comes up with a business plan. But as the son has not got enough land of his own, he has to rent it. He then decides to get married and settle down on the land. He puts in his application and he finds that the rural strategy says that any land taken in conacre must have been a regular part of the farm unit for a considerable number of years.

In cases like that the Department should look upon a business plan as being part of an application because they are tying up an awful lot of money in it, and, therefore, there is a commitment to it. The Department should be looking upon those cases more sympathetically, but, unfortunately, that is not the case with the present rural strategy, and that worries me a bit.

Mr W Stewart: In the context of a business plan, we are relying on advice from the agricultural industry in terms of its whole operation. But your concept of a business plan is an interesting one.

The reason for the strategy document's phraseology is that there have been occasions in the past where large tracts of land have just been assembled in conacre in order to get a house built, and then the land has gone back on the market again. There is no real agricultural future for the unit of land that was used to get the house.

Mr Shannon: A business plan is something that should be looked at sympathetically as a way of moving forward with planned management. I accept that there is the possibility that it may not work, but if the initial intent is to make the business plan succeed, the Department should look at it sympathetically. That is the point I am trying to make.

Do applications that are related to the farm — for instance, retirement dwellings or farm-labourers' dwellings — now have to go to a central office in Northern Ireland for approval, or do they still go the local office?

Mr W Stewart: They still go to the divisional office, and the divisional office will do the consultation which is needed to get feedback.

Mr Shannon: I understand that changes were made because of anomalies in parts of Northern Ireland: certain offices were approving applications, whereas other offices were refusing similar applications. That is why there was discussion at a higher level.

Mr McConnell: I think you are referring to the quality audit. We agreed with the Select Committee's report because there are always allegations of discrepancies and inconsistencies. Indeed, I went round all 26 councils and said to councillors that if they were aware of inconsistencies, they should tell us about them. If inconsistent decisions have been taken, you have the right to an explanation. The Select Committee report came out and about three months after I started my visits. What happened was that we suggested to the Select Committee that we would have a quality audit and look at things in a particular way from headquarters to see if policy was being applied consistently. This was not because we believed it was not, but because we needed some protection to be able to say that policy was not being applied inconsistently.

Mr Shannon: Can you confirm that the new agricultural applications have to have increased man-hours? If they have to have increased man-hours, I would like to know who drew that criterion up. My understanding from people who have applied is that the criterion for man-hours has now been raised. If that is the case, I am very concerned. I would like to know why and how.

Mr McConnell: We will have to get back on that.

Mr W Stewart: We are normally dependent on the Department of Agriculture for information about things like man-hours, but we can check up on that and get back to you.

Mr Shannon: If it came from the Department of Agriculture, then we know where to move it towards. But if it came from yourselves, then I am curious to know who made the suggestion that man-hours be looked at.

Mr W Stewart: I want to know that as well. We are dependent on advice coming through from Agriculture.

Mr Speers: It is possible that because of mechanization or whatever, the Department is taking a different view in respect of how long it takes to do a specific job on a farm and that in that context it has reduced the man-hours applicable? That would be unacceptable. I am not sure if that has happened.

Mr Shannon: That is the point that I want to clarify. You can confirm to me when you come back where it came from. Quite simply, not every farm is highly mechanized and a lot of the work may still be done manually. That has to be taken into consideration.

Mr Poots: I was interested to hear you talking about the quality of service and the area plans. In Lisburn our area plan was not delivered even nearly on time, and it was very unsatisfactory when it did arrive. I am interested also in the democratic deficit. Perhaps you would like to address that. Or what about the Select Committee meeting? Certainly, many councillors regard the whole process as a waste of time. They go round to site meetings, they give up their time and they see many cases which they think are viable. Some cases are not viable, but many viable cases are just rejected out of hand. Many councillors see it as a waste of time and I believe that that democratic deficit is not being properly addressed.

Mr Shannon did talk at length about the part-time farmers, and times, they are a changing, as the saying goes. Farms are going two ways: they are either getting bigger or else people are going part-time. The smaller farms are not around now in the same way as they used to be. The farm is there, the father has farmed it, and he has got to an age where he cannot continue farming. The young man is out working in a job, and he intends to work the farm part-time. He has to calf cows, lamb ewes and farrow pigs. He needs to be on the farm. He cannot live in the town three or four miles away and come out and do those things. Either the young man gets a site on the farm and builds and lives on it or the father has to sell the farm and move out of the countryside. That is something that we do not want. Mr Shannon has addressed that fairly strongly, and I would like to endorse what he said.

I would like to ask you about the fees for building agricultural buildings. In a case I know of it cost the young man over £1,000 to apply for two broiler-breeder units that he was erecting. When he comes to make the investment, the fees are fairly heavy too.

Another aspect I would like you to address is the environmental studies which in many cases have to be carried out — for example, you have to look at the disposal of slurry, the impact on the land, the smell that will arise, the direction of the wind and so forth. Can you address those issues?

Mr McConnell: I will take the democratic deficit one first. I had the benefit of the views of all the councils and, as a result of that, the discussion paper went out. It was not intended to be all-embracing. Have you seen the discussion paper?

Mr Poots: No.

Mr McConnell: It went out to councils and it was deliberately aimed to arrive with new councillors.

Mr Poots: I am a new councillor.

Mr McConnell: I know you are a new councillor. I live in your area.

The intention was to spark debate and, to aid that, contained in that document were many of the things that I had heard from councillors. Mr Stewart talked at the outset of the Planning Service spending £1 million in consultation. If that is a waste of time, then that is criminal because it is £1 million that could be spent on doing something else.

The second thing I have to say to you is that the views of councillors are not unanimous in very many things, and they are particularly not unanimous in relation to the sort of things some of us are talking about now. Let us leave farming out of it for a moment. Councillors run the gamut from those who would say that you should be able to build wherever you like as long as you own the land straight through to those who do not want building in the countryside at all. Now the Planning Service has to try to deliver a policy in the middle of that. The policy has to have ownership, and to get the ownership of the policy becomes somewhat more difficult if you have 26 different and disparate groups, and disparate groups within each council, involved. I have said this at council meetings, and I make no apology for saying it again: you guys around this table have something that we do not have — and we all feel this by the way — and that is a mandate. You are elected, you are there because the people want you there. I have no mandate; nobody elected me and I am not accountable to you for my decisions.

The fact of the matter is that we have to make the best of what we have under the current circumstances. Therefore, we need to consult with you and make that consultation meaningful to you. But may I stress to you that “meaningful to you” does not mean agreeing with everything that you say. Most people regard consultation as useless unless the consultation results in the outcome that they want, and that does not happen all the time. At the Select Committee John Taylor asked “How many cases deferred following first presentation at a council are changed?” I think he was asking it in a way that led me to believe that he did not think there were very many. In fact, 27% of cases are overturned.

Mr Poots: Just when you are on that subject, a further 50% which go to planning appeals after the deferment has been turned down are changed.

Mr McConnell: Not in the specific area that we are talking about. We are talking about the first instance of consultation. Another 27% of cases are overturned. In other words, we listen to what the councillors have to say. One of the many things that councillors have said to me is that they feel that when a planner arrives at a council meeting the decision has already been taken and that they are in a position of dissuading planners from the views that they have. It is not a decision, it is an opinion, but because councillors feel that way, one part of the particular discussion paper talked about getting earlier consultation with councillors. It is a ridiculous situation if I have a case that you are engaged in and we reach a certain point and come along to you and say “We are going to refuse this.”, and you then say “Hold on a minute. There is something you should know that might change your mind.” That should not happen, and whether it is our fault or whether it is the system’s fault we have to look at that and try get the system right.

With regard to the democratic deficit, we recognize the difficulties with it. But you also have to recognize what our difficulty is and our difficulty is that we are not there to agree with every person who consults with us, although having said that, elected representatives are our main consultees. As I say, they are the only elected people around to consult. So that is our difficulty, and if we were to get a policy that everybody agreed on, I think we would need to have Solomon around in the Planning Service.

By the way, the closing date for comments on that consultation paper has probably gone now. I understand that there have not been that many responses to it. I agreed with the councils when I was there with them that there is no way we are going to impose things on the councils. The Minister will probably talk again about it and come back and see how we go. That is what we are trying to do and we need your help. We want to provide you — I am talking about councillors — with the service that we are set up to provide, and we expect the same, similar and helpful responses from you. We recognize that there is a democratic deficit but you have a responsibility, as have we.

I will give you an example, and I know this would not happen in Lisburn or Armagh or even Ards. It seems to our planners, on occasions, that for every single case the Planning Service refuses a case will be made for it by the council. Now you have a constituency to deal with; I do not have a constituency to deal with. It may well be — and we should recognize this — that you have to deal with your constituents in that way. But, equally, we have to face that. If you support every single case, which ones would you refuse if you had the power to make the decisions?

Mr McCarthy: Thank God for the Planning Service.

Mr McConnell: Well, I am just making a general point. But may I say that at the back of all of this is a great desire on our part to give, through the councils, a greater service to the public. The councils are the elected representatives, and we are obliged by law to consult them. Let us make the consultation worthwhile.

The Chairman: Before you answer the question about fees and broiler houses can you indicate which agricultural buildings require planning permission and which do not?

Mr McKay: That is a very complex subject, Mr Chairman. The General Development Order specifies the types and it would be difficult to give you a comprehensive answer without going through a detailed list. For those that require permission, of course, a fee has to be paid, and for those that do not development is permitted without any fee. The fees are calculated on the basis of the amount of time, effort and work that has to be put into processing those sorts of applications. And that applies, in general terms, to fees for all planning applications. Each case is calculated on the size of the proposal, and it is done when the planning application is made.

Mr W Stewart: We can circulate copies of the fee structures so that people get an idea of what the whole thing is based on. On the question of fees there is another dimension, from my point of view. I am charged with recovering 100% of the cost of processing the planning application, so that is why the fees have been moving up. Some have moved up and others have stayed steady because there has been a level of cross-subsidization in the past, which we do not like. We are trying to get them back on to a level playing-field. But we can certainly circulate details of the actual fee structure.

Mr Poots: Does it vary from area to area?

Mr W Stewart: No, it applies right across Northern Ireland.

You also raised the environmental studies and the demand for a lot of additional information in terms of the environmental assessment of particular projects. This is a dimension which has been imposed on us through external legislation from the EC, and all sorts of people are making sure that we are complying with the different regulations. But, again, it is applied uniformly, and there are set guidelines on what is required in the environmental assessment of particular projects.

Mr Poots: Bringing in consultants at £300 per day to draw up environmental studies is very scary for farmers.

There are a couple of other issues which are more to do with rural planning as such. You did mention crossroads settlements and I would just like to ask about the green belt in borderline areas. Unfortunately, most of Lisburn is in the green belt so that makes life more difficult for me. But you can get areas that are in green belt and areas that are slightly outside it, and one is able to get planning permission and the other is not. If a person has land inside a green-belt area that is on the borderline his site may be less visible. Yet he cannot get permission because it is in the green-belt area but the site that he could get permission for is, perhaps, more visible. I think we would all like to see more flexibility on the green-belt and borderline areas. I understand that a line has to be drawn somewhere, but where it would be better for both parties I would like to see more flexibility. I would also like to see more flexibility on the crossroads settlements.

Mr W Stewart: The crossroads settlements were introduced as a policy item to try to meet the pressures that were coming from the rural community actually to be able to live in the rural areas, and we are developing that through the area plan work. But you are quite right: once you put a line on a map it sets all sorts of constraints and obviously, if you are inside the green belt, you have to prove a need to be there. Equally, the visual impact of it is also something that has to be complied with. Those are pretty tricky situations that you are highlighting.

Mr Poots: But could there be flexibility?

Mr W Stewart: It always depends on the individual circumstances of each case, but we do have to try to maintain a consistent policy in that if you are inside the green belt, you have to prove need. However, if there is an agricultural dimension to it, there are provisions within the green belt to facilitate retiring farmers and genuine agricultural people.

Mr Speers: You said that 25% of the country is now subject to special control. Is that 25% of the rural countryside or is it 25% of Northern Ireland's land density taking in the cities, or whatever?

Mr W Stewart: My understanding is that areas of outstanding natural beauty and these special areas cover 25% of the total area.

Mr Speers: Of Northern Ireland?

Mr W Stewart: Of Northern Ireland.

Mr Speers: I do not want to get into specifics either, but the area that I am most concerned about is the policy areas — the policy zones. What is the difference between a policy zone in practical, factual terms and a green belt?

Mr W Stewart: The green belt is meant to ensure that there is a separation and a division between actual settlements. Policy zones can develop anywhere, and they are there because of some specific, inherent quality in the locality that they are trying to protect. The green belts are, if you like, circles around towns to keep them from coalescing — the Belfast one is, obviously, bigger than the ones in Omagh or Enniskillen — but the countryside policy areas can actually come up anywhere, and they are based on whatever the inherent quality of the landscape is.

Mr Speers: What are the criteria for building in them as opposed to what is applicable for building in a green belt? Are there different criteria depending on whether you are a farmer or not? Are there different regulations for the elderly, or for those who are sick and need family support or anything of that nature? This has not been spelt out; it has come up in my area and is causing some confusion. I represent an area which contains a very large chunk of policy area and, to my understanding, that means that you have little chance of getting to build in it. But I am told that there is some difference among planners — they look on it differently — and I would just like to know what that difference is.

Mr McKay: I am not quite sure what the difference is in the sense that in both the green belt and policy areas, a need has to be proven whereas in the remainder no need has to be proven. It is a case of dealing with each planning application on its merits.

Mr Speers: Are you really saying that, in effect, a policy area will be treated exactly the same as a green-belt area?

Mr McKay: The same principles apply in that need has to be proven within those areas. They just have different names. In a sense you could call the whole lot green belt or policy areas but, in effect, they have been divided into two.

Mr W Stewart: We can provide something that will spell out the differences between the areas.

Mr Speers: There was a dream that some fellow in the Planning Service was going to provide a countryside assessment for Northern Ireland, field by field. Obviously he had to start somewhere, and he was supposed to be coming to my part of the world. Is that really a practical, sensible suggestion offered by the planners? Has it happened? Has it started? When is it likely to be finished? And in the meantime, what has been the impact of that, in my opinion, quite ludicrous idea that in these areas you can build where it is suitable to build, but not down the road, because the field is a wee bit higher, or whatever? How would you honour that? And when should we hope to see a conclusion?

Mr W Stewart: The Armagh one is ongoing and the countryside-assessment aspect has been introduced in the Fermanagh area plan. It is being worked through, and we are currently working with the Environment and Heritage Service to provide an overall landscape assessment for Northern Ireland. I do not think we are going to be able to identify field boundaries and say what is going to happen in one field and another, but the objective is broadly to categorize the landscape. You have to admit that it is much easier to assimilate development into some types of landscape than in others. If you are on the top of the mountains or on open moorland with no trees and no hedges or anything, you will see it for miles around, but if you are down in drumlin country or in areas like that, there is scope for fitting in some new development. That overall assessment is ongoing and a joint report should be out soon from the Environment Service and ourselves. The intention is that it will be going out through the councils.

Mr Speers: I have two other small points. One concerns the Planning Council and the fact that an attempt was made by some civil servants to hijack it to a certain extent. It was originally intended to be a council of elected representatives which would operate along similar lines to a council of which I happen to be chairman, namely, the Housing Council. It was to have had the benefit of advice from civil servants like yourselves, but then someone came up with the bright idea that the Planning Council should be an amalgam of elected people and whatever. My council made a slightly different recommendation along the lines that there should be a local southern group council into which there could be input at the level you spoke about, namely an individual planning application level, and that the Planning Council should proceed as, in my opinion, it was originally intended to. That is one issue.

The second is a hobby-horse of mine, and it relates to the £1 million that, you say, is wasted in consultation — and I accept that some of it is potentially wasted. The Planning Service has a major role to play in that context because, as I have said publicly to my council and am saying here for the record, there are those who submit planning applications without ever reading the planning policy guidelines. It appears to me to be ludicrous that people can submit a planning application and then, when it runs into difficulty, contact and badger the local councils and councillors and put us in the position where we have to advance an argument on behalf of something which the applicants or, more precisely on most occasions, their agents have never made any attempt to address. If you make an application for any grant, you must match it to some criteria, if it is to have any chance of success. And there are criteria; we may not like them — some of us do not like all the criteria — but there is no obligation on the agent, the applicant or anyone else to match those criteria. Anybody can submit a bit of paper which could be for a development on the moon; that is causing quite a lot of annoyance and frustration. It is a waste of time and a lot of nonsense, and unless there is some attempt to address the planning policy in the applications, we will get nowhere fast.

Mr McConnell: I will deal with your last point first. You have already raised this with me and, indeed, one of the suggestions that you made at the council meeting was the possibility of our having a select list of agents who are recognized as being proper people to submit planning applications. I investigated that; and, indeed, it is not only you and your council who are saying that, but a lot of other councillors are saying the same sort of thing. We are not in a position to opt for a select list, but what we have been trying to do since our conversations is extend our enquiry system to ease this question of the confusion about the payment for initial enquiries — pre-application enquiries, and so forth. We are trying to encourage people to make pre-application enquiries because it is absolutely ridiculous for somebody to go to somebody else and pay him money to stick in an application for which there is no chance. That is immoral. We can end up having the ridiculous situation where someone submits an application for something he has no chance of getting and has that no-chance, no-hope case supported by a councillor. Where does that leave the Planning Service? Once again it leaves the Planning Service in the doghouse, and it tends to put the councillor in the doghouse as well if he or she cannot succeed in changing an impossible case into a possible one. We certainly support you in that, and we are looking at our application forms regularly.

Regarding your last point, I had not taken account of this because I had not heard you mention it before — and that was about including the paragraph under which an application was being made. I would certainly like to take that on board.

May I say, by the way, that I did not say that the £1 million was wasted. What I said was that we spent £1 million and we want to make sure that it is not wasted. You have to remember that we spend £1 million, but I do not know how much the councils spend. I do not know how many site visits they make. Some councils pay for site visits, others do not. In some councils a number of councillors turn up to site visits and in others there is only one. We are only one and we are turning up, so there are two sides to the expenditure point. In submitting this to Mr Stewart, my aim was to persuade the Planning Service to move forward — earlier consultation would take away the need for so many site visits, make the whole process more meaningful and no one could ever say that we were wasting money. As far as we are concerned, any money spent on consulting local representatives is well-spent — even if it is “wasted”. We do not have any access to elected representatives other than councillors and, indeed, now the Forum. That is the point I was trying to make.

In relation to the Planning Advisory Board, several options were put forward, as you know, and their idea of a Planning Advisory Board was put forward at the Select Committee, if you recall. And it was put forward at the Select Committee —

Mr Speers: An Environment Select Committee, was it not?

Mr McConnell: It was put forward to the Northern Ireland Select Committee by, if I can put it this way, our side. It was actually put forward by Sir Patrick Mayhew, following a suggestion by the chief executive that was intended to get some sort of coalescing on policy. All the things you are talking about, all the individual cases that a councillor puts forward, are all based on policy, and unless there is ownership of policy, they do not really matter because you will never get agreement. Our difficulty is how to get agreement when you have so many different people promoting so many different policies.

So the Planning Advisory Board may well want to consider what we are talking about here. The point is that we did not decide whether it was going to be elected representatives only or not; representations were made by all of the people who were given that discussion paper, and those representations were taken into account and the decision was made on that basis.

I regard it as a potentially valuable tool because it will give us some help in policy making and some access to the people whom you represent. But beyond that, the political decision about whether it was going to be referred to politicians only or not was not our decision to make.

Mr Speers: I appreciate what you are saying in that respect, but those who represent environmental groups, or heritage protection groups through the Historic Buildings Council, will be making particular recommendations from their own points of view, many of which I would agree with. What I did not like about the slight diversion of direction in relation to the planning council was that an opportunity was missed to include a large element of democracy and potential ownership into policy so that people could no longer stand back and say “Well, it has nothing to do with me. It is the planners.”

And there was also the situation where you were setting up an amalgam of civil servants and professionals who would sit with the same rights on that planning committee. I do not mind such people being there —

Mr McConnell: Correction. There will be no civil servants sitting on that board and giving direction. They will simply be giving advice to the board, and the civil servant who will most probably be giving that advice will be the Chief Executive and whoever he wants to bring along with him. But he will not be able to tell the chairman of the planning committee what to do. So there will be no interference.

Mr Speers: When do you anticipate that being set up?

Mr McConnell: I do not know the timing because we have responsibility for the Planning Service, whereas the type of operation that you are talking about is a core responsibility of the Department. But may we come back and give you some idea, Mr Chairman, of the timing?

Mr Speers: I appreciate that. Thank you, indeed.

Mr D Stewart: First, would you agree that it is far easier for anyone to put up a radio mast on top of a hill than for a farmer, or any person, to build a bungalow there? In the past few months radio masts have been going up all over the place on top of hills in my council area. Yet, if a poor farmer’s son wanted to build a bungalow up on top of a hill, you would refuse that point blank.

My second concern is that someone can go to the Planning Service to seek approval for the building of a house, but then proceeds to build before being granted that planning permission. It is only when the house is built that he has to submit a plan. I say that is wrong. The law should state, very clearly, that you cannot build without first obtaining planning permission. That is the road that the Planning Service should be going down. How many buildings have you knocked down in Northern Ireland? I know that in my council area very few have been. People have gone ahead and built, and the Planning Service have said “No, this is totally wrong.” Yet these buildings are still standing today. Planning permission ought to be approved before any building commences.

The Chairman: Mr Stewart, may I just interrupt you? Mr O’Connor has indicated that he has a quick question.

Mr O’Connor: I had a quick question in relation to the green belt which was mentioned earlier. In the Down district where I live we were told that a field behind some housing executive houses was in a green belt area and then, all of a sudden, a fish factory was built right at the back door of the houses. It was supposed to be 200 metres away from the houses, but we discovered that it was roughly only 118 metres away. Then we received a letter from the Planning Service to say that only one half of the field was in the green belt area. However, when a man wanted to build a house at the other side directly across from where the factory was, he was told that it was in a green belt area on which he could not build.

Mr W Stewart: If you can provide us with the details of the case we will look into it for you and try to explain the situation.

Mr D Stewart: Do you not agree that it would be advisable for an elected representative to sit with the Planning Service when refusals and approvals are being made, before they come to council, because, at present, the Planning Service have already made up their mind before they come to council. We are only acting in a consultative role; we are really only rubber stamping decisions and agreeing with you. We can shout as much as we want but, ultimately, you have made up your mind. It is time that elected representatives sat there so that we could go to our councillor and ask him to look at a case for us, since he would be with you in your office.

My final concern is that it is very unfair of the Planning Service to sometimes send just one officer to a council office to deal with well over 70 applications. I have witnessed that in my council where work has gone on until 12.30 am. That is very unfair, and I strongly appeal to you to rectify that matter.

Mr W Stewart: I will handle a couple of those concerns and then pass over to Mr McConnell to deal with the consultation side.

The issue of radio masts is very topical at the moment, and we are addressing the whole thing. The difficulty, as you are probably aware, is that some of them have development rights permitted under their licensing agreements, and it causes all sorts of problems, from our point of view, when these masts just appear. That is something we are conscious of. In the context of the larger structures which need planning permission, they obviously have to be considered in the context of the environment that they are in and, because of the nature of the beast, the big radio transmission masts normally have to be on the top of a hill. But there are the two dimensions.

There is the issue of the permitted development rights which we are aware of and which we are trying to address. But the radio masts and the TV masts do undergo an environmental assessment process, and, quite often, we can get them shifted. But no matter where they are erected, you will see them, so there is the visibility aspect. However you would obviously not get a house where the masts are.

The building at risk is one which does require legislative change. We are aware of the problem and there has been a lot of criticism of people going ahead and building without permission. We now have legislation where they can be forced to put in retrospective planning applications, but it is made very clear that just because they have commenced work they will not necessarily benefit from the work that has already been carried out, and the local opposition will certainly have plenty to say about something that has gone ahead without planning permission. In the context of what has been achieved, we have been constrained by the resources from the enforcement point of view, though we now have a resource coming in which is going to be targeted at enforcement work. As I said earlier, we have, at any time, about 200 live cases of enforcement, and one of the more highly publicized examples of what has been achieved was Eddie Haughey's wall at Warrenpoint which eventually came down in height. There are other areas which remain unresolved, but the difficulty lies with the legal process which means that these can drag out over a long time. There have, nonetheless, been occasions when properties have been demolished.

Mr McConnell: We also have a case where the council agreed with the decision to allow a building, subject to the demolition of another house, and then, when approval went through, the person did not want to demolish the house and received the support of the council to keep it. That leaves the Planning Service in a very difficult situation — there are difficult situations for us too.

Mr Speers: The planners' ultimate power is obviously through the courts. I have seen some of your letters threatening fines of so much per day after a given date. I know that can send shivers through some people, but the cases which I saw all related to relatively minor planning issues and were addressed by the people concerned. But, similarly, have you power of recovery for the bigger cases, in terms of the ownership of the property?

Mr W Stewart: No.

Mr Speers: So if someone builds a bungalow you have no power of recovery. How much weight then does that letter that you send out really carry?

Mr W Stewart: That enforcement letter initiates a procedure, and if we are successful, the property can actually be tumbled.

Mr Speers: I appreciate that. But your letter refers to a fine of something like £25.00 per day. How real is that threat; how do you enforce that?

Mr McConnell: If we have it in the letter, you can take it that we can enforce it. On the question of the courts, we have had enforcement cases. We had one case in particular which was so blatant that we determined to use all in our power to have the enforcement action taken; it related to someone who was operating a coal business. The case came to court, but, although we had photographs and had even gone so far as to employ someone outside to give evidence, it was thrown out because we could not demonstrate or prove that the bags that left the building actually had coal in them, even though we had watched them being filled. So it is not necessarily the case that the courts will impose big penalties.

Mr W Stewart: That does sound ridiculous. But we often feel let down by the courts because some of the fines that they hand out are derisory, making it well worth a person's effort to go ahead with the building in the first place. On one occasion we were told that there was just to be a set fine, and that was it; we were not allowed to go back and hound this person any more.

The Chairman: I have allowed this discussion to stray away from the point. Has the democratic one not largely been addressed?

Mr D Stewart: The one for the officer.

Mr McConnell: I will just make a very brief comment, Mr Chairman. The discussion paper that went out was aimed at achieving some earlier consultation, but I do not think that you would find every councillor willing to associate himself with the decisions of the Planning Service. If you have a councillor sitting there, are you going to say that he is tied into the decision? Maybe you will or maybe you will not. There are so many differences in councils where we try to help. What councillors want is earlier consultation rather than necessarily being tied into the decisions.

Mr Shannon: As long as he is influential, that is the important thing.

The Chairman: In closing, I just want to come back to the main issue: the farmers whose children effectively are not getting permission to remain on the farms. From my point of view — and I think it is shared by the Committee — we have no sympathy for farmers who have had sites passed, only to sell them subsequently and then find themselves unable to get sites approved for their children.

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 60 ft 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?

Mr W Stewart: There does need to be flexibility, not only from our point of view but also from the applicant's point of view because there have been numerous occasions when we have tried to bend over backwards to facilitate people, and the scenario that you depicted could be quite constructive from our point of view. But when we suggest that dwellings be integrated with a farmyard they do not want that. They want to move down on to the road with a separate access, and that takes you into the roads problems and all the rest of it. They want to cut into a field or they want to take the corner — from an investment point of view it becomes much easier to off-load a site.

But there is another, human dimension here and this has been said to us on numerous occasions. "If I am going to live here, my wife will not want to be living in the farmyard with the mother-in-law watching what is going on all the time." There is a social dimension here. Your scenario harks back to the old Clacham-type development where the family all lived in a group of dwellings, but, unfortunately, society seems to have moved away from that. I can assure you that we have endeavoured, on numerous occasions, to get people to build in a way that is more closely integrated with the farm unit, but there are difficulties in that.

The Chairman: I can see that, but what about a test of how genuine an applicant actually is?

Mr W Stewart: We have to wait for the application for the proposed dwelling to see how genuine it is.

Mr McConnell: It is worth saying that on numerous occasions when people apply for a site that is not suitable, the planning officer looks around and suggests alternatives.

Mr Junkin: I live in an area that is highly populated — it has always been highly populated — but nowadays, instead of cycling and walking, people fill the road full of cars. Some are fast and some are very good — better than some of the cars that farmers, including me, are driving. Apart from that, assuming that people have to live in the countryside and that we do not want it full of country yokels, could the Planning Service look at extravagant gardens, expensive garden ponds and the sort of things that cattle break into, costing farmers vast amounts of hassle and money? I know that a farmer is supposed to fence his cattle in, but occasionally they break out or he has to move them to another field up the road, past his neighbour's house, sometimes past a beautiful, Japanese garden. Could there not be a requirement for people to keep cattle out as well as for the farmer to keep them in?

Mr W Stewart: People really have a responsibility to look after their property. If they have a garden that needs protecting, they should make sure that cattle cannot get into it. We find it infuriating when we bend over backwards to get permission for a house in the countryside which meets all the requirements. It is built and it looks fine from our point of view, but the next time you drive past it it looks like Southfork because eagles have appeared on the tops of pillars and we have huge wing walls with stone insets. This immediately changes the whole character of what should have been a country road. Perhaps they have never heard of cattle-grids, but the responsibility for keeping cattle out lies with the individual.

Mr Junkin: I know farmers who have complained about this, and they are no longer able to move cattle from field to field or up the road because it is too expensive. There is too great a risk of their breaking on to somebody's lawn and doing £10,000 worth of damage. These are the sorts of things that happen, and I know of two or three places near me where lawns have had to be relaid. It seems to be a problem.

Your mention of Southfork and eagles brings me to another point. Would the Planning Service consider doing an audit of the vegetation around country homes to ensure that when you come back in five years' time the bungalow or house is sitting at the top of the field with a wee lane up to it and that the hedges have not been ripped out and a lawn sown right to the road? We have seen this happening and, as a councillor, I have been to site meetings to press for planning permission for a farmer's son or daughter or someone related to the area whom I know well — a voter. However, when I try to get a house for somebody else two or three years' later I discover that that first house up the lane now reaches the road and has a beautiful rolling lawn. As you say, the Southfork scenario has arrived.

Mr W Stewart: That gets back to our basic problem of enforcement. We have had difficulties with monitoring in the past, but we are now moving to a pro-active position where we will be carrying out enforcement in a more pro-active way.

Mr Speers: The best people to have living in the country are country people.

The Chairman: Thank you, Mr Stewart, and your colleagues, for coming along. I know that the conversation drifted to local government matters, but I think that that is a symptom of the democratic deficit to which Mr McConnell referred.

The representations that have been made to us are genuine, and I know from my own experience in local government that there have been genuine cases that have annoyed me and others of people being unable to remain on farms that have been in their family for generations. They have then seen other sites being approved; in some cases they have seen buildings going up without planning permission, and action has not been taken. Those inconsistencies cause tremendous anger.

Unfortunately, it is elected representatives who tend to get the blame rather than yourselves. But that is another matter. As we move to what is almost a new era in agriculture where there will be a much larger proportion of part-time farmers, I ask you to remember that there are very personal implications in planning, and I ask you to bear that in mind as you review your policies.

Thank you very much for your time and for the frankness of your answers and comments.

Mr W Stewart: Thank you on behalf of the team, for the opportunity to come along. I am speaking for them all, and it has been an interesting session from our point of view. We have taken notes of the follow-up action required and we will get the information out to you just as quickly as we can. You know where we are if you have any further queries.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 13 November 1997

MINUTES OF EVIDENCE
(Mr L Craig, Mr J Carmichael and Mr N McLaughlin
Northern Ireland Agricultural Producers' Association))

on

YOUNG PEOPLE IN FARMING/RETIREMENT SCHEME FOR FARMERS

The Chairman: The second matter is an important issue on which we are preparing a report, and that is **young people in farming**. It concerns efforts to encourage young people to remain in agriculture. One aspect of that are the proposals for an **early-retirement scheme for farmers**. I know you have been active in pressing for such a scheme, and we would like you to give us your thoughts on it.

Mr Carmichael: We presented a paper here before and we gave you some facts and figures on our thoughts on early retirement and, to be quite honest, we have been disappointed. We read the report of the presentation from DANI representatives to yourselves and we have been wondering what we should do about what they said. One point they made was that the funding was going to cost £4 million a year, but they seemed to think that farmers here were not interested — again, this is from the press so I cannot say if it is accurate or not — in taking up an early-retirement scheme. We have had discussions with various groups, and at a meeting this morning we thought of publicly asking producers if they would take up a retirement scheme if it were offered.

We have spoken to the consultants who are preparing your report. When talking to them we were being devil's advocate, if you like, because, as you know, we see an early-retirement scheme as being part of something larger. Early retirement is just one thing. Then there is the introduction of a young person to the unit and the support for that person. We are talking about the average age of farmers, and a high percentage of them are over 55, equal to the average throughout Europe. You might find that the farm that a young person has taken over is not to the standard that he would like, and Mr McLaughlin has referred to the standards that will be expected of farmers in the future. So we see support for those entering farming as a complementary measure to the retirement scheme. In the discussion with your consultants there was an assumed difficulty with the amount of money that could be given to the producers, but that is something that could be discussed and overcome.

If agriculture in Northern Ireland is to have a future, the industry itself needs an injection of new blood. If there is to be no measure of support for this transitional period during which the young person will take over earlier than he would if the original farmer stayed on in the business, the industry could lose plenty of capable people who could carry it forward. That would not just be a loss to the industry, it would be a loss to the economy as a whole because we would be left with farms and land with nobody on them. It might also bring about larger units which is the other matter of concern about the retirement scheme. People should not have to expand the size of their farm in order to take over from someone who is retiring.

Mr Craig: Yes. The Government could use the retirement scheme as a redundancy scheme. In the Republic of Ireland that rationalization is part of the scheme and farms have to get bigger, albeit that has been taken up fairly well.

But, as Mr Carmichael said, the average age of farmers is steadily rising, which is a bad sign in any industry. So there are worries about that. The reason for this is probably that the industry itself is not bringing the financial rewards that are necessary to retain young people. So we need a two-tier approach; we must have some form of incentive for the young people. We have spoken to the Department about it but they are at a loss to know where the industry is going beyond this bogeyman of the beef ban and where the future lies for agriculture here. We, in tandem with the Government, should be looking towards that future and trying to plan a strategy, but, to be quite honest, they do not want to know. It would obviously cost money to bring in a retirement scheme — maybe they are quite happy to let these old farmers die out, hoping that things will balance out eventually. That may seem cynical, but I get the feeling that they are quite happy to let things roll along.

Mr McLaughlin: I just want to pick up on the point about the financial returns from farming at present. In the cases of farmers retiring or selling up holdings, by and large that agricultural land is not being bought by farmers, because they cannot afford it. It is generally outside money coming because tax-relief has put an artificial price on land so making it unaffordable for young farmers. For a young farmer to sustain the amount of development required for business and expansion would mean that he would be left with no return or income from the farm, which to me is a nonsensical situation that no other industry would sustain. So the idea of expansion is not really a good one for Northern Ireland as it is not really an option for young or middle-aged people. But we can foresee the situation when, with the numbers of farmers presently in the 55 year-old age group, in 10 year's time we will have a major crisis in Northern Ireland.

Mr Craig: We have defended the retention of the family farm and, though we must be realistic and accept that not every farmer or his son out there will continue to farm, we would like to see the retention of as many as possible with a viable business. That business brings benefits to the whole rural economy — there is a very wide and solid industry there which is dependent on agriculture. I do not think the Government fully understand — we discussed this in relation to HLCAs — how important it is to the rural economy of Northern Ireland that the family farmer is retained.

Mr Shannon: You mentioned the retirement scheme and an introductory-type scheme to bring young people into industry. I was just wondering whether we could adopt an in tandem approach by looking at the early-retirement scheme and at the same time looking at the idea of training, which the Government are very much into. The country is full of people who have done training, and there may not be jobs for them. But we could introduce people to farming, for example, the pig industry — not that many young people want to go into pigs because it is a dirty job. So there may be a niche there for people who would consider going into pig farming.

Perhaps we, as a Committee, could look at an early-retirement scheme while, at the same time, consider some training method which the Government could introduce for young people coming into farming — a joint approach to achieve the ultimate goal is perhaps the approach we should take.

Mr Carmichael: I think we could take it a stage further. We have been talking to pig farmers and their industry is in crisis at present albeit there have been small improvements at various times. We are meeting with pig farmers at the beginning of next week again and they — particularly the smaller farmers — want to see if a strategy can be adopted for them.

The twin-track approach is the one that we would envisage. There has been, at various times, an additional element of grant-aid for young farmers in capital-grant schemes.

Mr Craig: An extra 10%.

Mr Carmichael: Which is not there now. That is also one of things we would like to see examined. We also support the training element, and we have already organized courses for all farmers in record-keeping and accounts. This is because in the past farmers have not been inclined to put pen to paper; there is a production line there and incoming and outgoing costs are co-ordinated, but what happens in the middle is not taken into an account. The profit margin is not understood; farmers know they are getting a return for a product, but they do not know how to work out what it actually costs to produce.

One way could be to have a retirement package to support the person who is no longer getting an income from the business and then a supporting mechanism for the person who is taking over the business. But it may also be that some of these farm businesses will not be in good condition and so will need an element of financial support there as well. To go back to Mr McLaughlin's point, it might not even be financially viable to spend the money necessary to take some of these farms into the 20th century — for the want of a better word, it could be uneconomical to start even that. It would require some method of support, because you have to live as well as work.

I was surprised at the Department's reaction to the early-retirement scheme because there are no real indications as yet of how many farmers would want to take up the scheme.

Mr Shannon: I was not impressed — I cannot speak for everybody here — by the Department's replies to the questions; I thought they were very negative.

Mr Carmichael: You will shortly be seeing something from us through the press because we are trying to find out information on this subject. I know the consultants are trying to investigate the background and put a figure on the estimated uptake.

The Chairman: We are waiting to hear from them what their next phase will be: will it be doing a survey or questionnaire?

Mr Carmichael: We too are attempting to find out something similar. We are promoting the concept of an early-retirement scheme as well.

Mr Craig: We are aware that the EU pay 75% of it. I am sure the Government pointed out to you that those figures do not translate very well for the United Kingdom. That is unfortunate from their accounting position; it was not our business.

The Chairman: One thing that has been made clear to us is that they will not consider such a scheme as is presently proposed. So we are investigating whether there may be merit in a more selective retirement scheme — perhaps targeting the more severely disadvantaged farmers. What would your reaction be to that type of approach?

Mr Craig: It seems like a rationalization approach, targeting specifically those farmers whom you feel should not be farming. We would have difficulty with that. It could never be seen in isolation; there would have to be an audit to look at farmers on an individual basis.

Mr Shannon: I do not think Mr Craig would be against the idea. What the Chairman is saying is that the Committee is looking at what is obtainable here, what is achievable. For example, maybe those in less favoured areas might fit the criteria to qualify for such a retirement scheme. We could look at that as a first stage and, if that were successful, we could progress to other stages. It is not always a matter of compromise and accommodation, but we have to be realistic about what is obtainable and target those whom we feel are under a certain amount of pressure. I could show you other people who are not in less favoured areas but who could also put the same argument. If we start off with one category, which we feel is achievable, we could move later to include others.

Mr Craig: A pilot scheme.

The Chairman: We are also approaching it as a priority measure to encourage the next generation to come into farming.

Mr Craig: We obviously need successors; that is what the retirement scheme is about.

Mr Shannon: Not to bail out the farmers who are not doing well.

Mr Craig: No.

The Chairman: The European priority is to rationalize and reduce the number of farmers. Our priority, in a sense, is to use it as a means of high attainment.

Mr Craig: We obviously need successors. Our members are predominately LFA people. We would like to see an attitude from the Government that said “OK, let us look at this in a positive fashion.”

The Chairman: Have you any comments or thoughts on the criteria for eligibility if we were to go down that road?

Mr Craig: It is too early to say. I could draw up something on paper for you, but I would not like to comment publicly yet in case I excluded somebody.

The Chairman: I would be grateful if you would give it some thought.

Looking to the future and the agri-political scene, I am sure you have all studied the proposals known as **Agenda 2000**. We are formulating a response to the specific agricultural proposals. What are your thoughts on them?

Mr Craig: I met Franz Fischler in London. He visited the United Kingdom but did not come to Northern Ireland — we had to go to see him. On occasions, I think he pretends that he does not speak English when, in fact, he understands the real nitty-gritty of Agenda 2000 very well. I asked him “Are you quite sure that you are acting in the interests of the farmers, not only those in the United Kingdom but in Europe as well, in relation to getting the WTO talks and the GATT negotiations in the proper context? Is that your agenda?” He would not respond; he threw up his hands and said that he did not understand the question, that he did not speak English.

Mr Shannon: Maybe it was your accent he did not understand.

Mr Craig: It must have been.

That is our agenda; it must be for the farmer — not specifically the Northern Ireland farmer — for the United Kingdom farmer and the European farmer. It comes back to cheap food policy and trying to meet all this WTO stuff — I am not sure that that is the correct agenda. We recognize that Agenda 2000, in itself, is a Common Agricultural Policy reform, and that there needs to be such reform, but equally there needs to be an indication of what is in it for the farmer, and I do not think that that has been properly addressed.

The ‘Farming Press’ reported on the basics of Agenda 2000 quite some time ago, but a lot of farmers did not notice that 30% cut in intervention price. Premiums seem to have been increased. I have to admit that there is a subsidy culture among farmers which is not the farmers’ fault — it is the way the political world has moved in agriculture. The meat is not on the bones of the Santer proposals as yet. We are supportive, however, in that the concept was their modulation and a tiered system.

We have to bear in mind that these are public moneys being given to agriculture — that is a fact that farmers sometimes forget. The farmer is actually doing more than his agricultural remit — he is doing more than producing beef, lamb, potatoes, and such like — he is a custodian of the countryside. He is looking after the countryside, and that is important today, in terms of environmentalism and conservation, so the public moneys that come from the taxpayers to keep the farmers on the land should reflect that. The smaller farmer is doing that to more of an extent than his larger neighbour, so there should be a tiered and modulated support system for the family farmer. That is not to say that every farmer must survive, no matter what his viability. We do not defend that — I do not think anybody can — but it is like something you see on the front page of the ‘Sun’ which says that the Queen or Oliver Wilson or somebody is getting a huge amount of taxpayers’ money which nobody can defend.

The agriculture budget would save a considerable amount of money if it were spread in a more equitable way among farmers on a tiered and modulated system. There is a lot of talk about Santer, but I do not believe that there is enough detail there yet to enable us to see what he is going to do for farmers.

The Chairman: Have you given any thought to how modulation might work? Should it be on a per farm basis?

Mr Carmichael: We are looking on this at the moment with other organizations across the water, and we have been discussing the situation with regard to labour units per farm business. One of the problems is the way you calculate labour units — for example, do you take labour units according to the number of stock you have? In Wales, for instance, there are large sheep farms with one person looking after I do not know how many thousand sheep, and it would not equate well if you were to take the labour unit according to the number of sheep. We are also looking at labour units per person employed in the business — in other words, if you like, PAYE. There are difficulties there too because, as you know, anyone with a business has other labour on the farm — for instance, if the people have children, the number of hours they work on the business, even at weekends, or whatever, would equate to another full-time labour unit.

That is the basis of the work we are doing at the minute. Because there are four organizations working together at this, we have not come up with a proper solution — but that is for capping, not exactly for modulation. We take modulation as the tiered basis of it and capping the amount. I have seen figures of £150,000 mentioned for capping, and that is just as big.

The other thing that is going to happen with Agenda 2000 is a change in the objectives. I venture to say that we will not have Objective 1 status. The Republic of Ireland has put forward proposals to phase in the changing of the objectives; they want the phasing to run until 2010, and discussions are currently centering around 2006. There appears to be more emphasis on rural development since the Cork declaration which seems to have fallen by the wayside anyway — I do not know if anybody has read about what happened down there.

Basically we support a modulated system. We have worked on the milk one, and we are working on the suckler-cow one on the basis of modulation by livestock unit — in other words, so much plus a percentage for the first 10, 20, or whatever. We did have it in five stages, but we have changed that now to about three, because five is too difficult for administration purposes. We are working on that, and we are also working on the capping of payments to producers. We think that that has to be on a labour unit per farm business, but the problem is how you define the labour unit per farm business. Do you base it on the stock that is there — which is a wee bit dubious — or on actual labour units used? We want to get an equitable solution whereby people with a reasonably sized farm, in Northern Ireland terms, will not be penalized, and that is why we have difficulty seeing anything other than capping and modulation for Northern Ireland farmers.

Mr Craig: Agenda 2000 also makes mention of national discretion within agriculture and if we had a Government that took agriculture and rural development seriously — and I am not sure that we do — modulation could be brought into effect nationally. The only argument that I have heard against it is that there is less money coming into the country. However, it would be public money and, in effect, you would be giving it to people who do not need it anyway — people at the very top end. If they are so super-efficient, why do the public need to reimburse them? But it would hold on to a lot of farmers who are working in a broader way rather than just on agriculture.

Mr Poots: I am interested in this modulation. To an extent, there is capping already in subsidies in that you can claim for many sheep premium, and once you do that, you have to split your farm into two units — give it two names, or something.

Mr Craig: That was done away with two years ago.

Mr Poots: Well, there is a go-ahead capping limit on cattle. I am concerned about that.

Mr Craig: There are two 90s there — two at each age group.

Mr Poots: A lot of the beef finishers buy their suckler calves from the farmers, but many of those calves have already had their first punch by the time they are bought, so the farmer is limited to punching 90 head of cattle. There is nothing to stop a family unit keeping 300 to 400 head of beef finishing cattle — if you have the facilities, there is not a great deal of work in it. It is important that the beef finisher is able to make the most of the market and the subsidies so he can give the primary producer — who is producing the suckler calves in the first place — the best price. The 90-head limit is too low. If you are thinking of modulation, it has to be practical; farmers will have to expand to make the same income. When I started farming, my father and I kept taking on more, but we were taking on more just to keep going at the same income. To reduce the beef finisher to 90 head of cattle is much too small.

Mr Craig: How have you got round it?

Mr Poots: I buy them clean-eared. But if I were bigger, I could not get round it.

Mr Carmichael: Would you want an increased budget for beef special premium, or would you want to divide the cake?

Mr Poots: I said the other day that I do not think there should be a special beef premium. There should be one premium — a suckler cow premium — and all the money should go into that. That should encourage the production of a top-quality animal. The beef farmer would buy it at a certain price, know what he was going to have to sell it at and what he would need in between. There would be none of this messing about, punching cattle, keeping people in a job, running around the country, doing books and so forth.

Mr Carmichael: The Department has the opposite view. They want the beef price premium paid at the point of slaughter. There is a lot of discussion going on at the moment about the weight of stock coming in at 340 kilos and, as you know, finishing cattle is continental stuff. A lot of people are buying them and they are lucky if they get a second punch on them. If you talk to the Department about bringing forward the age for the second premiums, they say no. They say it is a lot handier to pay it at the slaughter end which we do not agree with. We agree with you.

Mr Poots: I would like to see the beef producer producing the best possible beef that he can. The best possible beef is from the suckler cow, so you reward the suckler man. Maybe he is not making any money on the calf he sells, but if he is getting a good enough premium on his cow, and if he can go out and buy a calf at a cheap price, that will also bring down the price of poor David's calf — the dairy calf. They should never have been priced at £300 — £50 or £60 would be an honest price for a male calf from the wholesale dairy.

Mr Carmichael: That is something we would agree with in general terms. The concept of increasing the 90-head limit is not good with the budget that is available. If you do that you will be giving more, accordingly, to the larger farm business and taking it from the small business. That is the only way you can get over the 90 limit if you work within the same budget. That would not be acceptable.

Mr Poots: Most cattle would end up being punched twice no matter how it was done.

Mr Carmichael: To take your other point about the limit, we could not agree to the 90-head's being done away with because it would be detrimental to the suckler man who is producing the calf; he would be getting less per punch.

Mr Craig: Eight per cent of the subsidy goes to 20% of the farmers — a fact that is not widely known. Since it is public money there is good argument for saying that it should not be that way. Equally, we are still in a production-based subsidy system: pay our function, pay our cow and pay our sheep. That is not appropriate when we are looking at Agenda 2000, where we have surplus of almost of everything, and we have this environmental and conservation concern. There needs to be CAP reform. Equally it needs to be applicable to farmers, and I am not sure that Fischler and Cunningham have that firmly in mind.

The Chairman: If you are developing specific ideas, I would appreciate your keeping us advised of them as we hope to be producing this report in the new year.

Mr Carmichael: Within any organization you have commodity groups with a vested interest and to get consensus is not easy. We have been through this with pricing. The dairy industry is getting help at the moment too. Compare the returns this time last year with this year's returns. Some people have been phoning us to say they are going out of business anyway so why should they get up to milk X number of cows for so many thousands less. People do not realize that this is happening. They still have that cushion; but there is a fall in income there. There is quite a severe fall in the commodity if you look at what milk was making per litre.

Mr Poots: Would you agree that all these subsidies have created a false market by putting a false bottom on things, upping the price of the primary livestock — the young stock — and upping the price of land? It has made farming a bit unreal.

Mr Craig: Subsidy culture, there is no doubt about that. It was illustrated this year when you look at the suckler-cow quota; people were given silly prices — £300 plus. Where we have a beef industry on its knees with everybody saying that there is no money in beef, what they were doing was farming the subsidy instead of the cattle; the cattle were just a by-product of the subsidy.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 20 November 1997

MINUTES OF EVIDENCE
(Dr D Stewart (United Dairy Farmers))

on

AGENDA 2000 / CAP DAIRY REGIME

The Chairman: Thank you for assisting us with our deliberations on the Agenda 2000 proposals, and specifically with the ones relating to the dairy regime. May I ask you to make your presentation and then take questions from the Committee.

Dr Stewart: Thank you for inviting me. Before I talk about Agenda 2000 may I slightly digress by saying that our current problems relate to the strength of sterling. We have had revaluations of the pound to the tune of 18·7%, which has knocked about four and a half pence, or maybe five pence, off the price of milk. That has had a pretty rough effect on milk producers generally. We have been making representations to the Government about compensation from the EU for this. The eight member states that have experienced significant revaluations have all received EU compensation. But the United Kingdom Government do not seem to listen to this. It is a significant sum of money. We estimate that over three years something in the order of £36 million compensation is what is required for Northern Ireland. So, anything that you can do on that front, Gentlemen, would be much appreciated.

The Chairman: I met with the Minister, Mr Jack Cunningham, about three weeks ago, and this was one of the points raised. He was brutally frank, and said that the British Government's contribution to such compensation would be in the region of £390 million. I will not use the words he used, but the chances of his getting anything like that from the Treasury are virtually non-existent.

Dr Stewart: Certainly that is the case. We do not want to be greedy about this. If we received EU compensation, even without a Government top-up, that would be a help — half a loaf is better than no bread.

The Chairman: Is it your understanding that it can come without a Government contribution?

Dr Stewart: Four member states out of eight have had top-ups from their respective Governments to some degree; the other four have not. I think the United Kingdom's problem is that were the Government to draw from the EU, they would lose part of the rebate that Mrs Thatcher negotiated in the Fontainbleau Agreement. So, it certainly does have a monetary implication for the United Kingdom's Treasury. But, of course, if they were to top it up, it would, in fact, be double.

Mr Ford: The problem seems to lie with the fact that this Government is committed to the previous Government's spending regime, and I think we all accept that the chances of getting £390 million from the Treasury are nil. But is there any chance of getting anything?

Dr Stewart: We spoke to Lord Dubs, and I explained the situation to him. He was certainly sympathetic, but said that it had been a Cabinet decision not to at that stage. However, since that decision there has been a further revaluation of the pound, and he did say that they would keep the situation under review. So, I did not take it to be a total slamming of the door, although it certainly did not give me any great hope either. But there is nothing to be lost by maintaining some pressure on this front.

I will now talk a little about future milk policy, as laid out by the Santer document on Agenda 2000. It gives an indication of the likely milk policy for the period from 2000 to 2006. We should welcome the Commission's having come forward with proposals at this stage. If they can determine their policy for 2000 to 2006 well in advance of the year 2000, we can all plan for what is coming, rather than having it dumped on us at the beginning of the period, with no opportunity to work out what we will be facing.

It is also important to recognize that there is need for change. There is an inevitability about that, and it is really caused by two pressures. The first is the liberalization of trade, as dictated by the World Trade Organization (the WTO) — it is no longer called GATT — in the next round commencing in 1999. There is certainly an anticipation that the EU will not be able to continue to subsidize exports at the level they have been. That indicates some change. The other pressure is a budgetary one. There is this political will to enlarge the EU to the east, and that enlargement would have disastrous effects on the budget were the same levels of support to be given to any new member states.

So, what is being proposed? The principles are that they will maintain supply management — a quota system — up to the year 2006; they will reduce support, for both the export market and the internal market, to the extent of a 10% reduction in milk price, and that will be phased in over a five-year period; and so that there is not a drift from the land, farmers will get compensation for that imposed reduction in milk price. The proposed levels of compensation are 145 ECUs per cow to compensate, to some extent, for the drop in milk price and the effect on a farmer's income, and a further 70 ECUs per cow for the reduction in the value of the calf and the culled cow which will result from their proposals for the beef sector.
Those are the basic principles contained in their proposals, but, as always, the devil will be in the detail, and the detail is not yet available to us.

I was in Brussels on Monday and Tuesday, and we learned from the Commission that they are currently engaged in preparing the legal text for the Santer programme. They expect to have that done by January. But they then anticipate the usual delays caused by its translation, and it is also clear that they are not going to publish the legal text for milk without all the other sectors — it will be a total package. Our best guess is that it will be April or May before we see the legal text.

Notwithstanding that, the fact that the principles have been made available does provide us with an opportunity to react to them, and I hope we will be able to influence the shape of the eventual policy. We can obviously discuss some of the details, and our attitude to them, but that is a general outline of the current position.

The Chairman: Have you been surprised by the proposals as they relate to the dairy industry? Did you expect them to be much harsher?

Dr Stewart: I suppose, in a way, I am quite relieved about how this has come out. However, I do not know, and I do not suppose the Commission knows, what the outcome of the WTO round of negotiations will be. If that is much harsher than the Commission anticipate, there might well have to be a bigger reduction than 10%. If that happens I am not sure that the resources are there to give the level of compensation they have promised. If they up the reduction, they will have to up the compensation, otherwise the farmer's income will be destroyed.

The Chairman: Do you see these proposals as, perhaps, suggesting to dairy farmers that they should be moving away from high-yielding, highly concentrated, intensive-type dairy production back to larger cow numbers and lower cost production? Is the headage payment going to encourage that?

Dr Stewart: If the proposed method of compensation were to turn out to be as stated (that is, on a per-cow basis without reference to yield) then your suggestion would be correct, but I do not think it will be. Indeed, we had quite a discussion with the Commission about this, and the thinking around Europe is quite clear on it. If it is done strictly per cow, without making reference to the yield of the cow, we would be compensating the inefficient at the expense of the efficient. Now, of course, the Spanish will insist that it is done per cow because they have an average yield of something like 4,500 litres per cow. But the Dutch will insist that yield is taken into account because they have an average yield of something like 8,000 litres. So they are saying that if a cow produces 8,000 litres, and they are to lose 10% from the value of every litre she produces, they will be losing a lot more from that cow than the compensation per head would represent, and that would be encouraging inefficiency.

I got the impression from the Commission that they are expressing this as "per cow" for WTO purposes. That is the language they are using because they use this word "decoupling". In world trade terms we must not have subsidies that encourage production, and relating it to "per litre of milk" would encourage production. But we are into semantics — the cow produces, so what is the difference? I certainly got the impression from the Commission — although they said they had not worked it out — that they, intend to aim the 145 ECUs at yield and at individual farm level, and they are going to do that by relating the compensation to the litres of quota actually used. But, of course, we are all making the point that we must not just compensate for quota held. Why should a man, who is sitting on his quota and leasing it out, collect compensation for a reduction in milk price that he is not suffering? I think that that is generally accepted. But there was a clear indication from Commission that the last thing they wanted to do was start counting cows around the place, with all the difficulties which that presents in some of these countries. So I think it will be done on a calculation of the national average yield, which will then be related back to individual herds on a quota-used basis.

The Chairman: Have any calculations been done to assess whether the premium will, in fact, compensate for the expected decline in price, or how close it will come to compensating?

Dr Stewart: It will probably not fully compensate them. My own guess is that it will compensate them to the value of between 80% and 90%. But there are other factors to consider — for instance, proposals for the cereal sector will lead to a downward pressure on feed prices. Therefore, the total package — when taking into account the proposals for the cereal sector — will tend to reduce the farmer's input costs. So, if we are talking about an average business producing 5,500 litres per cow, it will come pretty close to their being fully compensated. I have seen some calculations done by the English which say that it has under-shot a bit. But, as I say, the detail has still to come out. However, from our point of view, we should be arguing that if there is to be a 10% reduction in price, we should receive full compensation.

Mr White: What is the average yield in Northern Ireland?

Dr Stewart: I think we are running at around 5,300 litres. The United Kingdom as a whole would not be far from the EU average. Holland, and places like that, tend to be quite a bit higher.

Mr White: That is somewhere between the Spanish and Dutch yields. Would it be preferable then to have the compensation related to yield rather than per cow?

Dr Stewart: We could be neutral about that since we are around the average. But I am always worried about systems that are open to fraud, and we are not as good at it as others. Once it is related to numbers of cows, and people start counting cows and moving them around, the integrity of the system is open to question.

Mr White: What impact might the exchange rate have on this compensation during the period in question?

Dr Stewart: It is expressed in ECUs, so the number of pence we get to the ECU will certainly have its effect. This package, as I see it, does not diminish or magnify the effect that currency fluctuations have on us at all times. The current system is very much subject to the vagaries of the strength of the currency and the new one will be no different. The compensation will be paid in ECUs, so when that is translated into our own currency, the relative strengths between the pound sterling and the ECU will be an important angle.

Mr Shannon: I am quite intrigued by the impact that eastern European countries could have on the farming industry of those countries presently in the EU. How do you think that might affect the farming industry? Might grant aid not be available for our farming industry?

Dr Stewart: The concern is that some of those countries have tremendous potential to produce milk. If we were to apply quotas to them, we would have enlarged the quota; they would have direct access to our markets; and supply could exceed demand, which would depress the price. Also, from a budgetary point of view, that milk production would have to be supported in the way it is currently, and that would result in an enormous bill. The problem is that the net contributors to this budget, mainly the United Kingdom and Germany, would see it as being a shocking imposition to have to fund the sort of development that is likely to happen.

Mr Shannon: Is there any onus on the Common Market to fund that? If the big boys say no, is that it?

Dr Stewart: You are invited, for political reasons, to join a club. Once you become a full member of that club you would expect to be treated the same as all the other members.

Mr Shannon: Do you see the policy as being a reduction in milk quota overall or perhaps doing away with it? Is that the idea behind it?

Dr Stewart: If we are talking about the period between 2000 and 2006, the EU are saying that they will maintain quota at current levels. Indeed, one of our arguments is that if there is an expansion of the market, internally and externally, quotas should be increased. There is a world market out there and if we continue to keep our quota at the current level, the New Zealanders, Australians and Americans, who do not have that constraint, will take more and more of our share of that market. So that is an important consideration. If the indications from the market are that consumption is expanding, the EU should be alert to that and should raise our quota to allow us to compete for that expanded market.

Mr Shannon: Do you think there is a possibility that they might say after 2006 "Look, we will do away with quotas here. We will let the market find its own level."? Would that be a good thing? Is that something you would welcome?

Dr Stewart: I am not sure about that. I think there is a feeling around that we need to get away from this artificial constraint. When we ask the Commission what is going to happen after the year 2006, they shrug their shoulders and say "We have not thought about that yet."

Mr Shannon: So there is no forward planning then?

Dr Stewart: Not beyond 2006. If there is no quota we all have a tremendous potential to produce more and more. But the problem is that if we produce more than the market demands, the price goes down. We all remember the situation in Northern Ireland before quotas were introduced. While some of us complained about their introduction, milk producers were expanding their production all the time. But they were not making any more money. They described it themselves as running to stand still, and that was the difficulty.

Mr Shannon: Does milk production in Northern Ireland meet the demands of those who want to process further products such as powdered milk, chocolate, cheeses, butter and so on? Do we at present produce enough milk to satisfy their demands?

Dr Stewart: We need to distinguish between the demand for the final product and the demand that stainless steel has for milk. Something like 70% of the milk produced on our farms has to find a market outside Northern Ireland.

The Chairman: Seventy per cent?

Dr Stewart: Yes. We have only 1.5 million people, and we have many more cows than we need to supply the home market. We export milk powders and things like that to 45 countries around the world. You have to turn it into things like that that you can export — things that are not too heavy or too cheap. But if you have invested in a lot of plant, and if you can get a margin on putting milk through it, you have a demand for that milk because you can turn it into butter and powder and stick it into intervention. And provided you can get it at the right price, you can get a return on your investment.

Now what is the position in Northern Ireland in that regard? Last May our capacity was stretched to the limit. In fact, I ended up with some milk that I had to put into Scotland, and I had to concentrate some and put it into France and Belgium. Remember, our seasonal profile is such that we have twice as much milk at the peak in May as we have in October and November. It is in that peak period that the capacity is stretched, and one of the reasons for that is that our producers have been leasing and buying in quota from Great Britain. Over the past five years our milk quota has increased by 180 million litres. Our quota for 1996/97 was 1,451·6 million litres. In 1991/92 it was 1,271 million litres, an increase of 180 million litres. Indeed, our current quota is 33 million litres above what we were producing before quotas were introduced. It was 1,418 in 1983/84, so there has been an expansion in production, despite the quota, because of the odd position we are in of being able to get at quota from across the water. So our regional quota has increased and, because of our profile of production, that does really stretch our capacity at the peak.

Mr Shannon: While your facts and figures have confirmed that it is a growth industry, I believe there is potential for even more production and advancement.

Dr Stewart: I think that trend will continue. Our farmers seem to be good at their job and they are prepared to do a lot of the work themselves. They do not have the farming alternatives that some people in England have, so they have tended to suck quota this way, and that is good for our economy.

Mr Shannon: As long as the quota is there to be purchased there is still a possibility of advancement. It would not suit us to have a system with no quota — would that be wrong?

Dr Stewart: If we were to have no quota, I believe we would have a tremendous potential to produce a lot more milk. The effect would be to depress the price and then it would reach equilibrium. If the price were too low, people would stop going in and it would go the other way.

Mr Ford: First of all, having had the chance to visit Estonia and Hungary recently, I think the position in the applicant states in Central Europe is that they do not expect the level of compensation that we currently have, but they will certainly expect something akin to the club rules very soon. I agree entirely with Dr Stewart that we have to accept that our prices are going to go down or else there is going to be the most enormous amount needed to be paid there.

But in terms of the compensation, I was trying to do some sums, multiplying two pence a litre by 6,000 litres and trying to weigh it against 145 ECUs or whatever it may be, and the short-term implication of those kind of figures is that compensation will be met. What is the implication in terms of the length of time that that will apply? Can we expect that right the way through for the six or seven years of this period?

Dr Stewart: My understanding is that the price reduction will be phased over a five-year period from 2001 to 2005 inclusive — that assumes 2% per year. Therefore, I assume that the compensation will be dished out over a five-year period, and if there is a 2% reduction , you will not get the full £145 and the full £70 in year one. You will get a bit of it and then it will top up the next year and so on. What happens after that I do not know because nobody has said how long this compensation will continue. The price reduction will continue, but we do not know if the compensation will — and people are remarkably silent about it. That is something that we need to get a bit more clarification on.

The other problem I have with this policy is that there is a public perception that farmers somehow are feather-bedded. What this direct compensation does is highlight a specific sum of money so that the general public can say that the man down the road has 40 cows, he is getting £150 a cow and he is getting £6,000 from them as taxpayers. They forget that the farmer is also a taxpayer, and they forget that he is operating in a managed market. So there is a slight problem with the public perception of this.

Mr Ford: Things like agri-environment schemes where people can see what the compensation is being paid for — something specific — might be easier to sell.

Dr Stewart: Of course, the chap cannot get compensation unless he is producing milk. So it is not as if he is doing nothing — it is not like set-aside.

Mr Ford: The whole issue of quota, I accept, is a nine-years-down-the-line issue, but it seems to me that the next round of the World Trade Organization is going to be imposing further pressure to get down towards world prices. It seems to me then that there is an implication in some of what you are saying that we might do better to look at ending quotas and seek to gain from our comparative advantage. I did not actually realize that we had increased our quota by 15% — I knew we imported substantially. In that kind of scenario is there not a case for the industry in Northern Ireland starting some sort of strategic review now to examine whether we should be looking for the benefits of quotas or if we are heading towards the world market, at the ending of quotas and using our comparative advantage of growing grass to benefit from that?

Dr Stewart: I do not know what WTO will bring, but it is likely that there will certainly be a requirement to reduce substantially the export subsidy. This 10% is calculated on a 25% reduction in export subsidy and a 25% reduction on intervention support. If that turns out to be 40% — and who knows — then the 10% is all wrong. If you are thinking of Northern Ireland doing something on its own here, we would have to plan on what we know, and what we know is that, whether we like it or not, quotas are going to be there until the year 2006. If I were planning for after that I would plan on the assumption that they might well go. But these proposals are clear that quotas will be maintained until 2006, and this seems to have been welcomed and accepted around Europe. I only hope that if there is any improvement in the market situation, that quota can be increased, otherwise we will be losing our share.

The Chairman: Why do you think the price of quota has fallen dramatically this year?

Dr D Stewart: It is to do with the milk price — the two things are related. Strangely enough, over the last day or two the leasing price has been going up as we get nearer to the December deadline, as would be expected. I think it now costs over nine pence per litre to lease.

The Chairman: But the fall in price is a much greater reflection of something more than just a fall in the price of milk. Does it signify a drastic lack of confidence in the future?

Dr Stewart: No. I speak to producers all the time, and none of them are saying that they are not going to buy or lease quota because quotas are to go. Most of them recognize that quotas will be here until the year 2006, and their planning is based on that. We should welcome the fact that the Commission are clear on that aspect of their policy, because it is very difficult for a person to plan and spend money if he does not know where he stands.

Mr Clyde: If you were to get 145 ECUs given per cow, plus 70 ECUs for the calf, that would amount to 215 ECUs. If a dairy farmer has 100 cows, will he get that amount for his 100 cows, or will there be a cut-off point?

Dr Stewart: There has been no suggestion of going back to the McSharry proposal — that it should be calculated on the first 40 cows, regardless of the size of the herd. I did hear some mention of a cut-off point, although I am not sure if it was in the documentation. But someone worked it out for me and found that it would not affect many of us — it would be around 450 cows. So far I have not heard, or seen, anything concrete about an upper limit being applied for compensation purposes.

Mr Clyde: I read somewhere in a 'Farmers' Journal' that the premium is to be brought up to equal the suckler cow premium. Now, if they are bringing in that in order to compensate the dairy farmer for losing profits, will they be doing the same for the suckler herd farmer, and increasing his compensation? Now, I can see the suckler man kicking up a fuss if this comes to pass. That may not be a fair question to ask you.

Dr Stewart: I have not studied the beef proposals at all, or the suckler proposals — I do not have their interests at heart. I have the interests of the milk producers at heart.

The Chairman: There is one thing that concerns me, and it is why I asked whether there was a lack of confidence in the future. I know from talking to the bankers that while there is no real air of pessimism, concern is being privately expressed about dairy farmers who have a high level of borrowing. With the decline in prices and the increase in interest rates, particular pressures are being felt in the dairy sector, which is probably traditionally seen as being fairly well off because, I suppose, of their tradition of having a regular monthly income. Nevertheless, it has the highest level of borrowing, and the increase in interest rates and the reduction in prices are having a marked effect.

Your organization is perhaps planning five or 10 years into the future, so what sort of advice are you giving to producers? Are you saying to milk producers that in 10 years' time they will be selling at 15p or 16p a litre, or at even less than that?

Dr Stewart: Being a cautious fellow, I try not to give advice on financial matters. Nevertheless, I do get asked the question. Last night I was asked by a young man in Ballymena where I saw the milk price being over the next five years or so — he was investing in quota. He has land with a parlour, and a brother is supplying the heifers — it is a split job. He asked me whether he should buy quota — he has been reading about the fall in world prices. My best guess is that if he were to take things at face value — a 10% reduction is what we are being told about

— in today's terms that would take the milk price to around 19p and he should budget on that basis. The only bit of advice I gave was not to overdo his borrowing because all of these things can be affected by the strength of the pound — if interest rates were to go up and he was borrowing heavily, he would be paying out more. When interest rates go up they push up the value of the pound and push down the income gained from the milk price. You get hit both ways — you pay more for your debt and you have less income to pay for it. People do have to be careful about over-stretching themselves. We have seen it happen in the past. It is common sense to me.

Mr Poots: This question may have nothing to do with Agenda 2000; it may have more to do with the current situation in the milk market. I have noticed that the disparity between United Dairy Farmers and, perhaps, the costliest milk buyer seems to be closing. Have you managed to retain most of your client-base?

Dr Stewart: Yes. We started with 960 million litres; last year we had 943 million litres; and this year we will have around 940 million litres. So, while we have lost a few clients, our existing milk-producing members have been buying in more quota and have expanded. But that attrition has certainly slowed. The people who went out and paid more than us have, after a year or two, ended up with pretty sad accounts. There was one example of a loss amounting to £3·04 million, and there have been a few others around that amount — there have also been a few smaller casualties as well. It has taken time, but it will stabilize.

Mr Poots: The farmers have not moved over to the other companies in sufficient numbers to justify holding the prices up at the level they were at?

Dr Stewart: We have certainly lost some producers, but that was because of the volumes involved. I have never understood why some buyers were not content to rely on the system which we had set up in order to supply them with milk. It is transparent — it is an auction, and it is an open business. But when I asked them why they paid silly money the view was that they wanted security of supply. I think that after two and a half years there is certainly a slowing down now. Perhaps they have got a sufficient core supply directly from the farmer that has given them confidence.

The Chairman: The Committee will be preparing a formal response to the Agenda 2000 proposals in their entirety — a response which outlines how we see them affecting agriculture in Northern Ireland. In summarizing your evidence on the dairy proposals, you would perhaps give a cautious welcome to the continuation of the quota regime.

Do you have any specific recommendations to make about how the compensation should be paid, or recommendations on other relevant issues?

Dr Stewart: On a general principle, compensation should be related directly to the loss of income, and it should be at an individual level. Let us get away from compensating the man who has a 4,500-litre yield at the same level as the man who has an 8,000-litre yield. I would also very much like to see full compensation, and compensation should be yield-related.

The Chairman: We are also preparing a report on measures which will encourage young people either to enter farming or to remain in farming, but the main problem with entering the dairy industry is the capital costs involved. I know we have previously talked about your organization's views on establishing some sort of national reserve of milk quota which could be applied to young people who wished to start up in dairying. Do you have any formal views or comments on that?

Dr Stewart: I am glad you have raised that, because there is something in the Santer document about restructuring aid, and we should emphasize that. If our industry is going to be competitive and efficient, we do need new blood coming into it. One way of doing that is to give encouragement to those who have become tired and who want to get out, thereby releasing quota. Aid could then be given to those young men who want to take it on. We should, therefore, all support any proposals in this package for restructuring aid.

The Chairman: I very much appreciate your coming to meet us, Dr Stewart, as I know you are extremely busy. It has been very interesting.

Dr Stewart: Thank you, Mr Chairman, for inviting me.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 27 November 1997

MINUTES OF EVIDENCE
(Mr D Cooley, Dr D Rice, Mr G Starrett and Mrs D Robinson
(Northern Ireland Grain Trade Association))

on

Young People in Farming/Early Retirement
Agenda 2000 — CAP Dairy Regime

The Vice-Chairperson: The next subject is on the encouragement given to **young people** to enter or remain **in farming.** The age distribution of farmers in Northern Ireland is similar to that of farmers across the European Union. The older farmers are prevalent in very small farm businesses where 37% of them are more than 65-years old. In the medium-sized and large-sized farms, just 16% of owners are over 65-years old. In those businesses which involve two or more people there is often a family member of the next generation who is also working and/or managing. The management of active farm businesses in Northern Ireland is by people whose average age falls in the range of 45 to 49-years old. This does not give rise to those concerns, which have arisen in other parts of Europe, about having a very old farming population with no successors, and where retirement incentives are used as a means of accommodating transfer of land to younger farmers.

Significant levels of dead weight are seen by the United Kingdom Government as one of the major defects of an **early-retirement scheme** for farmers. In at least half the cases the money would go to people who would have retired even without any financial contribution or incentive from the Government. It is felt that larger farms tend to be more able to take advantage of such schemes and that they, therefore, fail to reach the needy. The United Kingdom Treasury is also sensitive to the fact that any EU contribution to the funding of such schemes would reduce the amount of refund paid back to the United Kingdom from the EU under the Fontainebleau Arrangement.

At a recent farming conference the Ulster Farmers' Union Family Farm Committee chairperson, Mrs Hilda Stewart, quoted a letter from the Northern Ireland Minister for Agriculture which stated that "an early-retirement scheme for Northern Ireland could cost £56 million. This would not be regarded as the best use of tax-payers' money". The Minister asked the Ulster Farmers' Union which other areas of expenditure they would recommend be cut if an early-retirement scheme was to be favoured. An alternative to pensioning-off older farmers, thereby leaving a rural population without dignity or inheritance, would be to provide a structure in which these part-time and full-time farmers, together with their families, could enter agreements with major supermarket chains, or could become involved in alternative farm enterprises such as tourism, local speciality foods, crafts and leisure pursuits.

How many courses at our agricultural colleges feature hospitality management, leisure pursuits, customer care, local culture, customs and folklore? A retirement scheme for older farmers would make space for a younger and possibly more dynamic practising farmer, but it would do nothing to change the problems facing new entrants and/or sons and daughters developing existing farm businesses. While any extra money coming into the Northern Ireland farming community would be welcome, we feel it should help to address the problem of the largest investment required to farm efficiently and successfully. For example, a system of long-term low interest loans or additional quota availabilities may direct any available funds to where maximum value would be attained.

Agenda 2000: I must admit that none of us have read its entire 1,300 pages. The commission proposes deepening and extending the 1992 reform through further shifts from price support to direct payments, and developing a coherent, rural policy to accompany this process. Of the total 22,000 farms in Northern Ireland, 18,500 are involved in beef production. A 30% cut in the intervention price is proposed between 2000 and 2002, and this would be offset by increasing the level of subsidies paid under the suckler cow premium and the beef special premium. The result is that, in future, farmers will be farming for the subsidy rather than for an income from the market. What is most alarming is that these subsidies are not linked to any quality specification — so farmers need only keep an animal with a head and four legs to qualify.

This will seriously undermine all of the work that has been carried out in Northern Ireland on quality assurance schemes, and the setting up of a livestock chain management system. However, if these payments were to be linked to a quality specification and were accompanied by a meaningful, rural development policy, it could lead to the maintenance of a vibrant, rural community and economy in Northern Ireland.

Dairy: milk quotas will remain until 2006, and, between 2000 and then, support prices will be reduced by 10%. Compensation will be in the form of a new 145 ECUs a head dairy cow premium, to which 70 ECUs will be added to compensate for the lower cull cow and calf prices which resulted from changes to the beef regime. The premium may be capped at a set number of cows. A decision to base it on a per cow rather than a per litre basis would discriminate against high yielding, efficient herds, such as we have.

While milk quotas have ensured a relatively balanced supply and demand situation with stable prices, the resulting value of quotas has led to a degree of stagnation as high prices for either leasing or buying quota has restricted both the entrance of new producers into the market and the natural progression of the industry. We would favour a system which encourages developing and efficient farmers to progress, and which allows our industry to enter growth markets, such as the Pacific Rim, where our world competitors are already taking great market share.

Cereals: the cereal intervention price would be set in 2000 at 95 ECUs per tonne against 119 now. The arable aid per acre payment will be based on 1992 reference yields, and, at 66 ECUs a tonne, represents compensation for 50% of the price cut. This will be reduced if cereal prices are above estimated levels. While Northern Ireland is a net importer of cereals — and the cereal regime will not affect farmers here as much as those of beef and milk — we believe that the main consequence in the United Kingdom is likely to be an increase in the areas sown to cereals, particularly winter wheat, at the expense of other crops such as oil seeds and pulses. A flat-rate payment system will always favour the higher margin and lower risk crops. The proposals would significantly reduce the areas sown to vegetable protein crops. This would leave users of vegetable proteins such as animal feed manufacturers more exposed to third country imports, and therefore more at risk should those imports be restricted at times of world market shortages.

In general, NIGTA believes that the proposal to introduce a system aimed at capping the level of direct payments to producers — modulation, in other words — should be removed. Northern Ireland farmers have invested heavily in their businesses and made use of technology and management techniques to become highly efficient. The introduction of modulation would have a direct and unfair effect on these most efficient producers.

We find no fault with the desire to link aid payments to animal welfare and environmental aspects, of which we are very aware in our new updated code of practice, and in the livestock chain management system which we are encouraging. We would, of course, add that such stipulations should be realistic.

The Vice-Chairman: Let us look now at the early retirement scheme for farmers. It is a possible means of encouraging young people into farming.

Mr Shannon: There have been some problems with this retirement scheme, primarily because of the cost of such a scheme.

From working with your members or from the circles within which you move, are you aware of how popular a retirement scheme would be? Do you see it applying to certain farming sectors or do you see it applying to farming as a whole?

Mr Cooley: Mr Rice visits farms, and Mr Starrett is a practising farmer who also visits other farms as part of his job. They would be better qualified to answer that.

Mr Starrett: It has been a success in the South of Ireland, and a paper was given recently at a conference on it. But most of the finance came from Brussels. Bringing money into the country is a good thing, and most farmers would be in favour of it; it would help. When you visit farms in the South, the people you talk to tend to be a lot younger than the average farmer in Northern Ireland. I do not know whether that scheme has something to do with it or not. The whole thing boils down to money — that is the bottom line. Nobody is arguing that it is not a good scheme, but because of the Fontainbleau Agreement the United Kingdom Government say that they are going to pay for it, which is terribly unfair.

Mr Shannon: Do you feel that there will be much of a take-up among your members? That is point that I am trying to grasp. We have been unable to quantify the number of people who might like to join the scheme.

Mrs Robinson: There are many relatively young farmers who are fathers and who have sons working on the farm. If there was a retirement scheme tomorrow, would they really take it up? As we pointed out in our paper, would the Government not be better using the funding to create a very vibrant rural community instead of paying farmers to lose their dignity. They would have no job and they would watch the son taking over while they became just an odd-job man about the farm. Rural schools are closing and the centre of the rural community is going, and that is where the money should be targeted. That is a personal view. The money should be used to develop rural business as well, alongside farming.

Mr Shannon: We are not trying to provide an odd-job man for the farm.

Mrs Robinson: That is what will happen in the long run.

Mr Rice: You have to remember that the Northern Ireland Grain Trade Association's members are mainly feed compounders. Our customers are farmers, but they are not actually members of our trade association. So any opinion that we give you represents our perceptions rather than the views of farmers.

I do quite a bit of consultancy work on farms both in the North and the South. My perception — I have no statistical information to support it — is that when I go to farms in Northern Ireland and ask the young fellow what he is likely to be doing he says that I would need to talk to his father. However, in the South you frequently find that the father tells you to talk to the young fellow. We do not have an overall view on this — we can only give you individual opinions and a collated, written report. While there is no statistical information, my perception is that younger men are getting into the decision-making role on farms sooner in the South where they have taken up this retirement scheme. The father is still there, but the roles have been reversed. The father is a bit of an odd-job man, and he is happy enough to be in that role.

Mr Starrett: The bottom line is that if there was a retirement scheme — irrespective of who was paying for it — people would take it up if they thought it was financially attractive.

Mr Shannon: The other important point in this is that many farmers in Northern Ireland are part-timers. Some who are part-time are looking for jobs outside farming to supplement their income, especially if you have a father and son relationship on a smallholding.

You mentioned diversification in farming. Is there any possibility of a scheme being related to that? Farm retirement is not the term that we would be using but it would be something to look towards. Perhaps the Government should be considering some sort of training scheme or training grants. That is another idea that has come from the deputations we have received. What do you feel about that?

Mr Cooley: We would totally support that idea. We did mention that such training could be provided in the agricultural colleges. That is more likely to attract the young farmer to go and take that as a part of a sandwich course if he is doing agriculture as well. They are less likely to go to a different college — for example, the Portrush Catering College to learn how to make an Irish breakfast. If it is part of the whole agricultural community at an agriculture college, we think that there would be quite a good take-up. Certainly enough to justify making such courses available at the agricultural colleges.

Mr Poots: I was interested in what Mrs Robinson said. We are not talking solely about this retirement scheme — we are also talking about young people in farming. We are looking at a broader picture and we see the retirement scheme as being part of that. Other important areas are planning and the training and education of young people. Perhaps we could even grant-aid farmers to bring their sons home in the early years. I would like to have developed those alternatives suggested by Mrs Robinson — that the son or daughter farms part-time, and has a secondary interest that both maintains them in their rural environment and provides an alternative source of income. I am very open to suggestions along that line.

Mrs Robinson: This is why I talk about the encouragement of rural business. It would not matter whether it was the father who had the part-time job or the son or daughter, as long as there was alternative employment in the area. It does not matter whether they derive income from farm diversification or from a rural business — it still leads to a more vibrant rural community that has pride in itself, and which a tourist would enjoy visiting. That is better than somebody getting hand-outs and being paid to retire. We should focus more on communities, and on things like transport networks and rural facilities, such as places of worship and schools. A lot of development work could be done there.

Mr Speers: My point is about the uptake in the South. I appreciate what Mrs Robinson said about putting the father out to grass early, so to speak, although it could be perceived as a way of a relatively young person getting a retirement hand-out and becoming the odd-job man about the house. I have spoken to some folk in the South, and they have said that young folk who have an interest in farming, but who do not have farm land, have been able to link up with a farmer who maybe has no sons, or no family interested in the farm, and they have taken over the responsibility for the farm — although the retired farmer is still in the background. There is a niche there in terms of the rural vibrancy that is necessary.

I agree totally with what you have said about the needs of the rural scene, particularly in the aftermath of BSE. Rural communities are going through a more dramatic shortfall in cashflow than anyone imagined. A more integrated package, which includes pensions and a retirement scheme, would be in the wider interests of the community.

The Vice-Chairman: The final topic is the effect of the EU's Agenda 2000 proposals on Northern Ireland’s agriculture industry.

Mr Shannon: I have three questions. One is a sort of a by-product of your submission and relates to NIGEN. Perhaps this is something that you would rather keep under wraps at the moment. NIGEN will be situated not all that far away from where foodstuff is produced; will that cause any problems as regards contamination?

Mr Cooley: Upwards of 200 lorry loads of city and human waste will be brought to this area for incineration. We are assured that the incinerator is going to be a state-of-the-art one, but accidents will happen. This is the power station west here, and the west twin silo, which is the largest one, is situated within a couple of hundred meters of it. We have a full-fat soya plant and here are the various mills and sheds where the foodstuffs are stored. These are silos and elevators that import cereals, not only for animal feed, but also for the flour milling industry. We have got a feed mill here; there are more of them, but they are not shown on the map. There will be a new one of these produced which will go out to about here and will show the Dargan Road site that could well be used. A proposal has been submitted for that but nothing has been decided as yet.

We do want to keep it low-key at the moment and if the press are here, I ask them please to respect that. We do not want to create a whole scare if there is to be no scare. If the answer is not to build it, I would be more than delighted, but should the case go against us, my company has spent over a quarter of a million pounds fighting this. A lot of this money went to the legal eagles, et cetera, who attended the public enquiry that went on for about three weeks; experts were flown in from England — microbiologists who blinded me with science. As a trade, we see a great danger in this. We have our doubts as to whether some Government departments are working against what we think is the common good of Northern Ireland agriculture. About 90% of the non-cereal imports would come through this area here to go for animal feeding and about 80% of the cereal imports for animal feeding would come through in this area.

Mr Shannon: The grain price this year has dropped fairly dramatically. What is the comparison between this year and last?

Mr Starrett: The current price of barley is £90, delivered Belfast, give or take a pound or two. From memory, the price last year was somewhere in the region of £105 to £110, so the difference is £20. Most of that is to do with currency. The price of grain is related to the intervention price which is based on so many ECUs per tonne and at present, you are talking about 199 ECUs. If the currency is weak, the ECU and the pound are nearly the same so it is £119 but last year, the currency was weaker so you had 119 ECUs multiplied by 95 pence and that is where the 110 came from. The ECU is currently down in the 70s, and that is why the price of grain has come down. If, for some reason, the pound were suddenly strengthened tomorrow, the price of grain would go up. If it is definitely 5%, the price again will go up 5%; it is purely currency.

Mr Cooley: In France, the price of grain, maize and wheat is the same today as it was this time last year.

Mr Shannon: In Northern Ireland, has that price reduction in grain been passed on to the purchaser and to the farmer?

Mr Cooley: Yes, but funnily enough it mitigates against Northern Ireland purely because we grow cereals locally and not all of them are offered to the feed mills; a lot of them are sold on-farm. We import the vast majority of cereals from either England or France at a cost of approximately £16 per tonne over the ex-farm price that would be applicable in England. That is then going in to produce exports, so we are starting off £16 per tonne worse off bringing it in, and then we have to pay the *[Inaudible]* on our exports back out again. So if prices are low, that £16 is a larger proportion of the £90 than it was when wheat was £140 — if you see what I mean.

Mr Shannon: Yes, I understand. You mentioned pig farmers earlier on; the cost of feed has always been one of their big bug-bears. I understand the situation regarding imports, but that has always been one of their concerns. If it has been £16 down this year, and you have continued to purchase it from the United Kingdom, for example, would it be £16 better off this year?

Mr Starrett: Yes, and another thing is that the soya bean price is still very high. The soya bean is the other 40% of the ration — do not forget there is no meat and bone now — so we are at a disadvantage there. The soya prices are still around £200. They are £208 — they are actually dearer than they were this time last year. There has been a major cut-back in feed prices, and we are always getting abuse about this. All you have to do is to look at the state of the beef trade since 20 March 1996; there have been quite a lot of closures and changes in the feed industry, as those of you who have connections in the industry know. A lot of dramatic changes are taking place in the feed industry and will continue to take place. It is getting to be a very unprofitable business now.

Mr Rice: Regarding ruminant feeds — beef cattle and dairy cattle feeds — prices are down at least £20 a tonne this year compared to last.

Mr Shannon: Though we have seen a reflection of that.

Mr Rice: Without any doubt.

Mr Poots: Under Agenda 2000, fairly severe cuts in the price of grain are being proposed. Obviously, the farmer will have a view on that but as the grain traders, what is your view on that? Do you want to see the price of grain being brought down to actual world market prices?

Mr Starrett: If you get very cheap grain it will stop the import of the tapiocas of this world, and the cereal substitutes. With the current price of grain there is no such thing as tapioca appearing on the scene, so from that point of view we can use our United Kingdom grain and we welcome that but the cheaper the grain gets, the bigger the differential between the United Kingdom and here — that is £15 or £16. Not all the grain that is used in Northern Ireland comes from the United Kingdom; quite a lot of it comes from the Republic and their acreage has gone up. So there is quite a lot of grain coming from the South because of the punt. The answer to the question is yes, we must welcome that — the cheaper the grain gets, the cheaper the feed costs are going to be.

Mr Poots: Mr Shannon was asking about the price of grain. What sort of tonnage have you put out this year compared to previous years?

Mr Starrett: In feedstuffs?

Mr Poots: In feedstuffs. Has it been shrinking, or has the tonnage been maintained since the BSE crisis?

Mr Starrett: No. The famous 20 March 1996 was a real crisis day. If you compare last winter with the winter before, the ruminant feed was down by something in the region of 20%. For some reason, it fell more in the South — a dramatic 30%. So we had a 20% drop last winter against the winter before. We are now coming to the end of November this year and we are making comparisons between this year’s figures and those for last year. Obviously, we are realistic enough to know that we do not think it is going to go up — throughout the summer it did not change much compared to the summer of last year. Speaking personally, October was a particularly bad month for us — although the weather might have had something to do with it. We are very concerned about two main sectors — pigs and beef. We are unsecured creditors and some individuals have two or three months credit. If you take the value of the pigs and the cost of three months’ feed, they are roughly equivalent, so if you go over three months, you have not got enough stock to cover your feed costs and if these pig prices remain for some time, which appears likely, there will be another million pounds of credit out. But we are the fall guys, at the end of the day. On the beef end, there is certainly great depression.

Mr Cooley: Have you been having more problems in getting your money in?

Mr Starrett: Yes, very much so in respect of the beef end.

Mr Cooley: The broad picture, as far as we can make out, is that somewhere in the region of £35 million is out on unsecured credit with farmers throughout Northern Ireland.

Mr Starrett: There is presently a big cash flow problem. We all have cash flow problems. I am directly involved with my company on monitoring cash flows, and it is getting harder all the time. I would forecast that it will not get any easier over the winter.

Mr Poots: The Government are not helping the matter by withholding the beef special premium and the suckler cow premium, which were supposed to be paid by the start of November, until the start of December this year. So the farmer is at his limit with the bank, and he can not pay you people until he gets that money in.

Mr Starrett: Yes, that is the problem. What do you do if you have been dealing with somebody for many years and they run into problems? You have to see them through the good times and the bad times.

Mr Speers: In relation to the world scene for grain, how do you see Agenda 2000 impacting on the United Kingdom, and especially Northern Ireland, in the context of a viable grain industry? Given the whole ambit of arable aid reduction costs and the grain prices coming off farms this year, can you see a viable industry being maintained there?

Mr Cooley: Certainly, in the larger, very efficient farms in the east of England, yes. It will be very difficult in our climate. And for it to be viable in Northern Ireland it would be a purely cereal grower.

Mr Starrett: It will get harder and harder all the time, particularly if they are suffering a 50% cut in their support price. We want as much grain grown in Northern Ireland and the south of Ireland as possible, because, obviously, if you can grow it there it reduces the cost of importation. So we would prefer to maximize the grain grown here.

Mr Speers: But in the world market scene, will you need some other mechanism to support the grain grower here?

Mr Starrett: Yes, increased arable aid, for example. What happened in the past was that their arable aid was not as good as it was in the UK because the yield was not as good, so it was working against them. The cereal growers are very concerned at the situation.

Mr Clyde: You mentioned a 30% cut in support for beef and a 10% cut in support for dairy. To offset that 10%, Europe is giving the dairy farmer 145 ECUs per cow plus 70 ECUs for the calf: do you feel that is fair, given that there does not seem to be any talk of extra support or extra headage for the beef cows/suckler cows?

Mrs Robinson: There will be direct payments on suckler cow premiums and beef special premium to allow for the drop in price in beef. But it will be the case that your premium will be more than your income. You will be farming for the premium — not for the market value of the beef.

Mr Starrett: On the dairy end, they are talking of a reduction of 10% which is two pence per litre based on 20p per litre. Based on a 6,000 litre cow that amounts to £120. So if you add these ECUs together and convert them that will compensate the farmer. So, in theory, the dairy farmer will have his quota to 2006 and he will be compensated for his loss in the two pence per litre. So effectively nothing should change.

We all know how bad beef is at the minute, and if you take today's intervention price of £1·80 per kilo tops and cut that by 30% you are left with £1·26 tops, dead weight. If you take a 340 kilo animal, you are talking about £400 maximum under the new regime. I am not sure of the exact details of the compensation for the suckler cow and beef cow, but there would need to be massive increases in subsidy. On those proposals, the beef man is going to lose out even more. The dairy farmer is not really going to lose out, but the beef farmer is going to lose out even more than he is at present.

Mr Speers: And he is in a false situation as a result of BSE.

Mr Starrett: That is right.

Mr Clyde: That is always the case. The dairy man never seems to lose out. Even when the beef is reaching a good price they get extra for their calves.

The Vice-Chairman: Mrs Robinson, Mr Starrett, Mr Cooley, Mr Clyde may I thank you, very much indeed, on behalf of the Committee for coming along to make your presentation which was very worthwhile indeed.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 27 November 1997

MINUTES OF EVIDENCE
(Mr A MacLaughlin and Mr W Aston
(Ulster Farmers' Union))

on

AGENDA 2000
YOUNG PEOPLE IN FARMING/RETIREMENT SCHEME

The Vice-Chairman: The first item is the European Union's **Agenda 2000**.

Mr Shannon: How do you see that directly affecting farmers? Will it benefit the local farming industry? Do you see it as a minus, a mixed blessing, or what?

Mr MacLaughlin: I think you are aware that Agenda 2000 is much more than simply agricultural, although agriculture, of course, is a very central element of it. The current difficulty, as we understand it, is that we have a set of proposals that come from the EC — the Commission. At this stage, these proposals are not coming from heads of Government, agricultural ministers and the rest. The debate has just begun, and they have yet to react. There are still some countries that seem to be against it; there are some that are neutral, and some that are for large parts of it.

We have a number of concerns, but we recognize that whether we like it or not, revolution, evolution, change and development will be necessary. This morning, I had the privilege of meeting with Commissioner Wulf-Mathies. She was saying that in the Commission, they are very clear that they need to introduce this in a very orderly fashion. Northern Ireland will not suddenly cease to have Objective 1 status and have funds withdrawn; it will not work that way. We hope that that is the way it pans out, because there are changes in there that are going to be quite difficult to bring about.

The most worrying area from our point of view is the United Kingdom's record in regard to national supplementation of any EU schemes, and it looks as if national supplementation could be allowed under Agenda 2000. When that opportunity was presented to the United Kingdom Government in the past, it does not seem to have been taken up too often and, of course, part of the reason for that is the rebates agreement that was made with the EU some years back whereby if we did not spend EU money, then we would get a rebate on our net contribution to other countries. So, this is one area that we would be concerned about, because the United Kingdom Government has not chosen to supplement things.

There are one or two other concerns. The Agenda 2000 initial report was remarkably vague on some things but very specific on others. One of the most specific things was the level of compensation to be paid to farmers to enable them to carry out the adjustments — it went to almost six decimal places, which was quite bizarre. We recognize that there are going to be reductions, but they must not be taken at too rapid a pace; they must be done in an orderly, timetabled manner.

Secondly, we are concerned that some of the levels of compensation will not fully offset the proposed reductions in price. The EU is talking about compensating farmers in more complex ways to do with the environment, and so on, and one of the things that concerns us is the degree to which there would be cross-compliance between the environment and methods of production. That would worry us because, obviously, they can be crude and rough, or refined and work quite well.

The other area that has been mentioned is modulation or, as I understand modulation to be, a form of capping. The worry is that depending on where this cap comes in, the more efficient farmer and farm could be discriminated against. I am fully aware, and the union is fully aware that you have to consider the farmer who is less well off — the part-time farmer, the farmer that is on the margins of economic viability — but at the same time, you also have to consider the successful farmer who is the one that is going to make your overseas markets. The average farm size in Northern Ireland is larger than in some of the other member states, although it is smaller than the size of farms in England, Wales and Scotland. We are concerned that any capping or modulation that might take place would cut right across some of our farmers.

The introduction of a capping mechanism at quite a high level would also concern us. This might not affect us initially, but, over the years, it could be brought down. However, these concepts are purely at the discussion stage.

Mr Aston: I have nothing to add to what the director general has said other than to mention the timetable. It is very obvious that we are a long way from any sort of discussions, never mind agreement. The German elections take place in the autumn of next year, and there is going to be no movement whatsoever between now and then apart from the fact that the Commission intends to put out more detailed proposals in terms of individual sectors. Agenda 2000 currently covers beef, dairy products, cereals and oil-seeds but not things like tobacco, olive oil and wine. The Commission has recognized that you cannot leave that on its own, that you have to do it as a complete package, so they are going to bring forward proposals on those in conjunction with the others at the beginning of next year. When those become available, discussions can start — and the German elections also play a part. The Germans are big players and they will not want anything to happen until after their elections.

The problem is that existing arrangements are in place until the year 2000 and until some sort of new format is agreed, there will be a roll-over of the existing arrangements, so they would be very keen to try to move forward before that. If we do not start discussions until this time next year, that means that you have 1999 to start actual discussions and reach agreement and implement it by the year 2000. That, in itself, is a big problem — the timing of the whole thing.

Mr Shannon: There could be big changes in the dairy regime as a result of all of this. Are you happy with the proposals that they have put down beyond the year 2006? Where do you see the industry going? For instance, would you, as a union, be happy with the market finding its own value for milk? What do you feel about that?

Mr Aston: It depends on where you are coming from. If you are a milk producer, yes, milk quotas have stabilized markets, and you have got a reasonable standard of living as a result of that. If, on the other hand, you are a new entrant trying to get in to the industry, then it is anything but a favourable situation to have a continuation of quotas, so a balance has to be struck. Only something like 10% of EU dairy products are exported so you could be sacrificing 90% of your market for the sake of 10% if you were to concentrate on world markets. But you have the problem of imports coming the other way, free trade, and all sorts of things.

We really do not know where we are at present because, as you say, there are radical proposals for the dairy sector as well as for beef and cereal pushing more towards a situation of reduced prices and higher direct payments. In dairying, for the first time you are talking about reduced milk prices, maintenance of quota and the introduction of a dairy cow premium. Premium are OK provided that they fully offset the losses you have incurred but, equally, they are more visible, and if they are more visible, then they are more likely to be cut. So, from a dairy farmer’s point of view, that could cause problems in the future.

Mr Shannon: Some of the dairy men — and I underline some — say that when the market becomes a free market, they see potential for increasing their business. You talked about the return traffic. Is there always going to be a situation that if their doors are open, ours are open as well? They see lots of potential out there to increase their business. Do you feel that that will be the case?

Mr Aston: It depends where you are coming from. If you are a man who wants to expand, or a new entrant, yes, definitely. If, on the other hand, you are a small farmer who maybe does not have the land, or whatever, to expand and you have been making quite a successful living out of having 30 cows or whatever, it could actually jeopardize your future, particularly if there were potential to effectively screw down the dairy cow premium level. You would actually be worse off. There is a fine balance. It depends who you are talking to: I have found that out. For example, Southern Ireland are very much in favour of maintaining small producers whereas, on the other hand, the United Kingdom would go the opposite way and say, “No, we have larger producers, let us get at it.” It is as blunt as that, and we are stuck in the middle.

Mr Shannon: How do you get that balance on behalf of your members when you are representing both?

Mr Aston: We need to look at the proposals in detail when discussions really start. Up until now they have been there, and the policy line that we have taken is that we are prepared to accept anything, provided farmers’ incomes are maintained. But you have to be realistic about this and recognize that there will be change, but within that change, we want to try to maintain as many farmers on the ground as we possibly can — by whatever means.

The Vice-Chairman: The next matter concerns **young people in farming and a retirement scheme for farmers**.

Mr Shannon: As you know, we have had a study done on this — there is a real problem with it, to be quite honest with you. You have worked on your own submissions. It is really all to do with how it is going to be financed, where the money is coming from. From our discussion with your union and from your last two submissions, I think we have got to try to come up with some sort of scheme that can pay for itself in some way, and this is where the problem arises. I suppose what we are really asking is whether you can see any other method of bringing forward a retirement scheme for farmers.

One of things we have been looking at — and I do not know if it is possible or not — is perhaps not a retirement scheme in the true sense of the word. It may have to have something to do with training or job creation, diversification. The last deputation mentioned a stronger rural economy. What are your feelings? Perhaps we could tease them out and know how you, as a union, feel. Your submission was not as sympathetic as you would probably have liked it to be, and the reasons for that comes down to cost. Where do you think you should go now?

Mr MacLaughlin: If we have been guilty of slightly misleading the Committee, I am sorry. It was certainly unintentional to lead you to believe that we have had a succession of submissions. In fact we have really only had one, and it went through our legislation and commercial committee and then through our farm family committee. Substantially it was the same proposal, and you are absolutely right to say that we have to move and see this in a different context.

The original idea was to have a retirement scheme to help farmers to hand over to their sons and resolve this problem of the older generation having a part-time farmer or an almost full-time farmer and taking a very small amount from that unit. It is not possible to pass that on in itself because it is not viable for the next generation. That is the sort of concern we have, and we wanted to fit very closely in with the scheme that is operating in the Republic of Ireland, which has been very successful. I gather that over 7,000 people, which was the target, have taken advantage of it, but it has also increased the size of farms which, of course, reduces the number of farmers. That is one of the benchmarks of the scheme in the Republic. We did not push that aspect quite so hard, but it is clearly an element of it. Now that is obvious and well-known to you anyway, but the other side of it is that if you look at it — and Agenda 2000 is a big document — you see that there is virtually no mention of new entrants, and that is an issue that has got to be addressed.

How do you get new entrants to come into the industry, be they the next generation or be they completely new, trained people? That is not mentioned, yet we have a situation where, as I understand it, the average age of farmers is 55, and that is a pretty sobering thought if you want people to change the way they have traditionally farmed. I think in particular of the higher regions and looking after the countryside and the stone walls and all the other things they have to do. Areas of scientific interest and areas of outstanding natural beauty all have implications for skills and the way a farmer farms, and yet you are expecting a group whose average age is 55 to take this on and take it on easily. That is just a very difficult concept to push in quickly.

This is one of the areas the detail of which we want to see developing out of Agenda 2000, and if it does not, there will be a gap not just in Northern Ireland but throughout the Community because the average age of farmers is so high. I understand that the average age is a little more than 55 in Northern Ireland, and that is important. So we are concerned about bringing young people into farming. We have a farm family committee, as I said, and this is one of the areas they have an interest in.

The young people on farms simply do not regard farming as an attractive option, and yet there are, increasingly, mechanisms whereby part-time labour can be brought in on a sort of contract basis. Companies now exist which give the sort of flexibility that might appeal to the younger person coming in. But one thing is for sure — we must find a way of, in an orderly fashion, extending farm size. And if that forms part of Agenda 2000 proposals, we will have plenty of other bites at the cherry. But there is widespread concern in the farming community about this problem, and there is a strong desire for a restructuring scheme which can achieve these objectives. The Government may not be convinced by the narrow term "early-retirement scheme", but the objectives need to be addressed. We were very encouraged when the committee appointed consultants and, of course, they came to see us. We have not seen the end result. It is not yet in the public domain.

Mr Shannon: Although the committee had hoped for a neutral stance from the Department of Agriculture on the question of an early-retirement scheme, we were disappointed with their negative view, and it seemed as though their minds were already made up. That was not the response that we had expected. We may have to opt for a more general scheme now, though we have not come to any final decision yet. Therefore we would like to hear your views on how we might proceed with such a scheme, in light of the responses that you have had.

Mr Speers: The Ulster tradition has been to pass farms down through the generations from father to son. But do you have any statistical evidence on the numbers of those who have taken up farming from a background outside the industry, and on whether they, in fact, are more dynamic and innovative? I, myself, know of a few such people who have made a success of it.

Mr MacLaughlin: I have never seen any such figures, but, from an anecdotal point of view, I know that a lot of land is changing hands. And though it might seem crazy, farmers are paying crazy prices for land. The fact is that they are being encouraged to increase their farm sizes to make them more viable — this is the way farming is moving. So if a farmer with a medium-sized farm, of say 70 acres, has an opportunity to buy 10 acres adjacent to his own, and he has a son coming of age, he will move heaven and earth to buy that piece of land, money permitting. So it is not the same as just going out and buying the groceries: it is a specific once-in-a-life-time opportunity to increase your farm in a sensible way — because 10 acres sited five miles away would not be of any real use to you. In theory, you could say that farmers are paying crazy prices for such a purchase, but the point is that there are many — who are not farmers — who are buying land purely for investment and then letting it out. They are providing a perfectly valuable service by enabling many people who do not have land, or who need more land, to get it, albeit on a rented basis. That is quite prevalent. Others have a strong interest in horses and they too have been buying up land. These are just two of the types of people who are buying up small plots — and sometimes larger ones — of land, which they can then place on the market again. I have no statistics as to how many have come into farming for the first time, but I am sure that there are plenty. It would be worth investigating.

Mr Speers: We have all come across people who took up farming initially just as an interest but who ended up being much more successful than the farmer who has been tottering about for years and maybe lacking in motivation. There is therefore an argument to link an early-retirement scheme with the notion of bringing a new vibrance and drive to the rural economy by encouraging these dynamic people to join the industry, as opposed to the chap who is just fiddling along, not half farming the land.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Tuesday 2 December 1997

MINUTES OF EVIDENCE
(Mr S Irvine and Mr H Boyd
Association of Livestock Auctioneers))

on

AGENDA 2000

The Chairman: Another issue is the **Agenda 2000** proposals which are designed to see us into the next millennium and to reform the common agricultural policy. What views have you on those proposals which you have seen?

Mr Irvine: This is not an issue with which we are particularly familiar, but we have made a few points.

This report on the Agenda 2000 for a stronger wider Europe was published as part of the EU proposals for funding from 2000 to 2006, and it was based on the expectation that there will be a rapid increase in the EU cereal and beef stocks between 2000 and 2005, and a similar, though not so severe, problem in the dairy sector at a later stage. Agenda 2000 proposes a reduction of end prices for cereals, beef and milk and farmers will be compensated through a system of direct payments — for example, in the beef sector for the suckler-cow premium.

Matters of concern would be as follows. Levels of compensation do not fully off-set suggested reduction in prices. These increases in support are required at today's prices, never mind when further support is withdrawn. The recent refusal to accept intervention has sent our beef market into a downward spiral and we ask the question. "Is this what we can expect from Agenda 2000?" Compensation is determined in ECUs, and therefore the strength of sterling will once again have a devastating effect on the level of payments to Northern Ireland farmers. The proposal for modulation or capping of support payments to farmers based on the average size of EC farms would have a detrimental effect on support for Northern Ireland farmers whose farms are larger than the average. Fears however over this have subsided a little as of late, and, while capping may be introduced, it might be set so high as to not affect our farmers.

It is expected that by reducing producer prices these proposals will make the EU more competitive at the next round of GATT talks, and it will help facilitate the introduction of Central and Eastern European countries. The attitude of the United Kingdom Government on Agenda 2000 is alarming. In an article in last week's 'Scottish Farmer', Lord Sewell, the Scottish

Agriculture Minister, made it plain that while he thought that Agenda 2000 was heading in the right direction he would have preferred a much more radical reform package:

"The Fischler package does not resolve the underlying problems of the CAP. It shifts the burden of the CAP marginally from consumer to taxpayer but will barely reduce the economic cost. It will do little to integrate mainstream agricultural support into a wider rural development policy. Above all it will not decouple support from production and thus fails to meet the critical test which will be posed by the next round of the World Trade Organisation."

Lord Sewell's article goes on to state that farmers should now be worrying less about losing support cash and more about the unhealthy business environment that their reliance on that money had created.

These reports and the recent attitude of the United Kingdom Government in failing to asking for support for farmers over green pound compensation and in not providing increases in the HLCAs shows a disregard for the plight of farmers. An old proverb states "Spare the rod and spoil the child." The United Kingdom Government certainly do not intend to spare the rod on our farmers. They say that it will make them more competitive in the world market, but at what cost? With more than half of farmers in Northern Ireland aged over 55, how many will try to adapt? I think very few will and, unfortunately, I feel that the next five years will see a major exodus of farmers from the countryside.

Mr Poots: Do you think that the beef farmers are going to have to bear the brunt once again with price reductions of now 30%, but with minimal compensation in relation to other farmers?

Mr Boyd: How much more can he take? That is the problem. If things continue at this rate I can see many people going out of production to be quite honest, though you would not think so if you were trying to rent some quota for cows now. There is a scarcity at present, and farmers are trying to increase numbers to keep the wheels turning. Whether that is the right way to go or not, I am not sure.

The Chairman: Finally, one of the issues which the Committee is looking at is how agriculture is administered in Northern Ireland. How effective a role do you see the Department of Agriculture playing in preserving and promoting Northern Ireland agriculture? If you want to you can take that question away with you.

Mr Irvine: We have not discussed this issue, but, personally, I think that the Department of Agriculture do a fairly good job. They have many problems with regards to traceability and rules and regulations of movement of stock, and I know we all criticise them from time to time. But they do a fairly good job, and they have been trying their best to promote the traceability system. The lack of success so far is possibly more to do with politics than the quality of the actual system. My view is that more blame lies with Westminster than with Dundonald House.

Mr Boyd: We would deal mostly with the veterinary department, and we have found them to be fairly co-operative. Of course we have had our problems, but we have always eventually sorted something out.

There is no doubt about it — we have a fantastic system of cattle records here. Just last week, the Northern Ireland auctioneers received a deputation from six or either European countries who came especially to see the system, and they were all very much impressed with what we had to offer. They did though question whether it would be possible to upgrade our system which handles 1.5 million cattle to cope with their much greater numbers of between 10 million and 20 million. But they were all very impressed with how the system worked. One thing that the market operators from the continent did remark on was the high number of veterinary inspectors here, and they asked if we paid for them. Apparently, on the continent it is the practice that the veterinary surgeon and officials are paid for by the market operators, and they were surprised that Clogher could be supplied with four or five men to operate the system, with absolutely no charge to the market — not that we want any charge to the market.

Mr Shannon: Do not speak too soon. It could change very quickly.

Mr Boyd: I know that the Government will recoup as much cost as possible wherever they can.

Mr Poots: It has been a very uplifting submission; you have really put us all in an optimistic mood.

Mr Speers: Has the fact that the number of cattle changing hands in Northern Ireland is higher, pro rata, than probably elsewhere in Europe been a factor? In England and Scotland, especially on the suckler scene, animals tend to stay on the farm from birth to finished product. But here cattle can move from mart to mart and farm to farm four or five times.

Mr Boyd: The average number of cattle movements per head has reduced greatly since the 30-month scheme came into operation. Before that, many farmers were specialising in feeding those heavy 400 kilo dead weight animals. Now that that is out of the system I would estimate that the old average of four movements per animal has reduced by at least one-third.

Mr Clyde: There is talk about a new requirement for extra tagging and in notifying the births of calves. The tagging of cattle may be awkward for farmers in hill-land areas and would require a desperate lot of extra work to get hold of the animals.

Mr Irvine: The herd registers will mean a lot more work for farmers, and they will be tied in with premiums payment. Therefore, if you cannot produce a decent herd register to show your calves' actual date of birth and to which cow each has been born, you will simply lose your premiums. So this will generate more and more work for the farmer. I suppose it is to do with traceability, and it might go some way to preventing farmers from falsely declaring wrong dates of birth to gain first points premiums. So it is just another step along the ladder with regards to full traceability and it will pose a problem for farmers at calving time. The suckler farmer has up to 30 days, I think, to notify a birth so that gives him almost one month to tag the calf.

Mr Clyde: The problem is getting the animal in for tagging

Mr Speers: I am not advocating this as an ideal solution, but why did they not opt for tattoos?

Mr Boyd: I would see a possible solution in bar-coding. In future, all cattle entering markets would be just read by the bar-code reader. How successful that might be is debatable. But I am delighted to see that when you register a calf now you must register the number of the mother. A year ago I lost between £10 and £12 per head for calves, which I punched simply because additional calves were turning up in Northern Ireland which were not entitled to our subsidy, and this reduced the subsidy for every farmer here. But there are further complications in that the tagging system for the South is exactly the same as here, and if the price differentials continue between North and South it will eventually lead to serious complications for one or the other.

Mr Clyde: What size would this tag be? Is it a plastic tag?

Mr Boyd: There would be a little circle on the back of it and a square open on the front. It would carry the number on both front and back.

Mr Clyde: I have tagged calves with a small plastic tag, and sometimes that tag is torn out of the ear.

Mr Boyd: There would be one in each ear.

Mr Clyde: A metal tag in one and a plastic tag in the other?

Mr Boyd: No, both plastic.

Mr Irvine: Last week when I range the Department to order some of these new plastic tags the lady with whom I spoke, after checking with her supervisors, advised me that they did not know what type the new tags were going to be yet. She told me that in the meantime I would have to order the ordinary steel ones. I said "Will I be able to use these in January?" "Oh no. You will have to officially start using the new ones in January." Though they have announced the new system they have not really thought it out, which surprises me. We have had no consultation with them about it. I do not know whether the Farmers' Union has been consulted, but really there should have been consultation. It was only last week that the Farmers Union actually took it upon themselves to meet with the Ministry about their proposals as they had heard so much talk about them.

Mr Speers: The co-operative movement controls much of the agriculture in the South of Ireland. Do you think it is work examining the whole ambit of co-operatives as a mechanism to organise marketing much more effectively than has been the case in recent years?

Mr Boyd: I agree with co-operation. But, unfortunately, it is a fact of life that a committee-led organisation can never compete with the one individual who is controlling it himself. I know of some creamery co-ops in my area who have been finding it very difficult to survive over the last two years. Some of these private companies seem to be able to achieve more success and make more progress. But, as I said earlier, I see the pig people as having an opportunity. I think the hen people have gone past that stage unless as a producer group they now organise to put some more strength into it. The mushroom industry has gone down the same road. Everything is slowly going down that road, and our unions must do something to strengthen the whole thing.

Mr Irvine: I think that co-operatives could bring some strength to the farming industry. Indeed, while in the past I did not particularly like to see the strength of the lamb or beef producer groups, because of the nature of my business, I thought they lost direction. Instead of tying themselves into one particular purchaser, why were they not prepared to come along to the market and say to ten meat plants out there or to the South "We can offer you a thousand lambs a week to a particular specification." That would have been best for them and would have kept competition there. I think that is basically where they lost it. They were not marketing groups they were just collection groups.

Mr Boyd: That is the problem. They lost their direction.

Mr Irvine: Yes.

Mr Boyd: They were subsidized substantially by the Department to get up and going, but they really did not carry it right through.

Mr Irvine: The problem, as I saw it, was that they tied themselves to a particular end processor when they would have been far better coming to a mart or to an open market and saying "There is a certain amount that we can produce and give you each week, and there are going to be these good lambs or sucklers or whatever" — not to slight any particular breed. They should have gone to the market place and sold them. They could have had the advantage of plants from the South or from across the United Kingdom, wherever the market was operating that particular week, or wherever the man was going to be from. Basically they lost it because the vast majority of lambs were still going South, and there was little or no demand from the Northern Ireland processors who could not compete.

Mr Speers: There is definitely a place for the livestock mart in Northern Ireland, there is no question about that. That is probably one of the things, to some extent, that happened to the beef industry. The beef marts, as we knew them, diminished to a great extent, but do you see yourselves working with agriculture in a wider scene, to develop the last point you made?

Mr Irvine: Mr Boyd and I had a chat about the whole industry before we came in, and I think the opportunity is there, but it is going to require some rationalization and organization from ourselves and the auctioneers as a body have to recognize that — to try to achieve it. We are a collection of individuals, and we all very much like to look after our own businesses.

Mr Boyd: Is the competition still there?

Mr Irvine: Yes, the competition is still there, but I still feel that we are going to have to put our resources together and try to fight this challenge, because it is definitely there.

A Member: Ballyclare is getting too many on a Monday and Clogher not enough on a Saturday.

Mr Boyd: There is definitely severe competition between the markets for all the business out there, but there still has to be a lot of rationalization to enable us to give the customers the full service that we would love to give them.

The Chairman: Thank you very much.

NORTHERN IRELAND FORUM FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Wednesday 3 December 1997

MINUTES OF EVIDENCE
(Mr D Rutledge, Mr D Ritchie, Dr M Tempest and Mr P O'Neill
(Livestock and Meat Commission))

on

CAP REFORM / AGENDA 2000

Mr Ritchie: We had a CAP reform package, which I call CAP reform number one, five years ago. Now we have the second package, or at least a set of proposals as part of the Agenda 2000 programme. This takes in more than the Common Agricultural Policy — it also takes in rural policy. The motivation is twofold: to account for the further enlargement of the European Union to take in central and eastern European countries and to meet World Trade Organization commitments, both current and future.

The objectives of Agenda 2000 are to increase the competitiveness of Europe to enable it to compete in world markets; the consumer aspect of food quality and safety; a fair standard of living for the rural community; stability of farm incomes and alternative income opportunities; and the integration of environmental goals into the CAP. All of those touch somewhere on the proposals. That last one about the simplification of legislation would concern me as I am reading some of the stuff, but it does not concern other people.

The CAP reforms cover just three commodities — beef, dairy and cereals. It does not cover any other commodities. At least, the proposals cover only those. There is nothing for sheep meat. That is important because we feel that sheep meat needs change in its own right, on top of which it will be affected by the Agenda 2000 programme. Cheaper cereals will mean lower prices for competing meats, indeed, the proposals for reducing the price of cattle and beef will obviously also affect lamb. The only Government that has tried to do anything with sheep meat is that of the Republic of Ireland, and they are trying it on two fronts. One is a regionalization of the policy to get back to a regional ewe premium; they are working at it on an all-Ireland basis as we had before 1991 or 1992. They are also looking at amending or reducing the stabilizer effect because flocks have decreased over Europe since that came in. Brussels, unfortunately, is very happy with the sheep-meat regime — it costs very little in their terms and nobody but the Republic complains about it, so they think it is a roaring success. However, they have given the Government down there leave to go ahead and come up with a set of proposals. We would be very pessimistic about the chances of any action on those, but we hope there is.

Even before the BSE crisis there was reform in the offing for the beef-regime proposals because of continuing, permanent over-production in Europe. That is worse in the 1990s than it was in the 1980s, but the BSE crisis brought the whole thing to a head. In broad terms, the package is similar to that of five years ago: it seeks to reduce market prices and intervention and to compensate producers by increasing premiums. The details are different but the very broad sweep is similar and intervention at the rate of a 30% reduction in prices has been proposed over the three year period — last time it was 15%. Export refunds will continue to be cut in line with World Trade Organization commitments. There is nothing specific on that, but they will keep on coming down. In percentage terms the increase in premiums varies broadly — 50% increase in the suckler cow, more than double on the beef premium on steers and close to treble on young bulls.

Those figures are important because they have implications. There are some areas of concern which are listed here, and we will talk about each of them individually. There is a concern about how much production will come down; the withdrawal of intervention; the drop in market prices; and the imbalance in favour of intensive production. The first three are major concerns for us. The various restrictions on premium payments and the over-reliance on support payments are issues; modulation may or may not be an issue. The renationalization or possible renationalization of the Common Agricultural Policy is also one. The last two are, strictly speaking, not part of Agenda 2000 but they are linked — the deseasonalization premium and Northern Ireland's Objective One status.

Looking at production, the first question is "Will the reduction in prices that Brussels is looking for mean lower production of cattle, or will the increased premiums offset that?" The latter is what happened last time. Throughout Europe — obviously it varies from country to country — there was little reduction in beef production and the only thing we can say is that prices came down in some countries but not in most. In most countries the premiums actually got sucked into the system, and the industry had more money put into it — the opposite to what Brussels wanted. Will the same thing happen again this time? Some of the experts believe that Brussels is very over-optimistic in its forecasts of consumption. They certainly look over-optimistic to us, and it highlights the need to do something positive on the demand side rather than just rely on cheaper beef stimulating consumption.

In the United Kingdom we have already seen a reduction in production under the calf-processing scheme. From its start in the middle of last year up to the end of October this year we lost 83,000 calves, either slaughtered locally or shipped across the water to be slaughtered. That scheme will continue to November 1998. It is unlikely to be renewed after that, but we will continue to lose calves in the meantime. At the current rate you are talking about 150,000 over that period, and obviously they have lost proportionately similar numbers in Great Britain, and we feel that whatever the proposals are account needs to be taken of what has already happened here, across the water and, to a certain extent, in France as well. Other countries should now bear their share of the reduced production, but looking at the proposals as they stand we cannot see that happening. The Germans' solution is that there should be a massive reduction in suckler-cow numbers. That is fine for them — 10% of their cow herd are sucklers — but 51% of our's consists of suckler cows and it would be a disaster here. It would also be a disaster with regard to the type of beef that the consumer wants. It would leave us with a wrongly-structured industry, which relied on beef from the dairy herd.

The concern about intervention is that it would be left only as a sort of Doomsday support measure at that price level. And we have not had any private storage since 1989. They were useful schemes, but they were a useful supplement rather than a replacement, yet one could say that if we get back to 100% commercial marketing, as prior to the BSE crisis — and we have to if we are to have any future — then intervention could to some extent be irrelevant. It is a fair enough point and one that I agree with, but I would be unhappy to have intervention left as a Doomsday support. I would like a little bit more support from it if necessary.

The other question here is by how much prices will fall. Talking to people in the South, they fear that if intervention comes down by 30% the price of cattle will come down by almost 30% as well.

The Meat and Livestock Commission across the water takes a more optimistic view, and that is the official line from Brussels. They say that the fall in the prices will be less. They do not specify how much less, and they point out that there will still be some support from private storage and a degree of import protection. I do not know how they can do that under their World Trade Organization commitments. They will also use exports, but that is going to become increasingly hard. We are a bit sceptical about the support given to the industry, and while I do not agree that it will fall as much as 30%, I cannot honestly say how much prices will come down.

The other issue is that the cheaper cereals proposed as part of the Agenda 2000 programme will mean cheaper pork and poultry, which will hit beef prices and will mean cheaper bull beef. This will affect the price we can get when we export to the continent. We understand the need for Europe to be price competitive, but there is a limit. Dr Tempest will go into it in more detail, but Europe as a whole, not just ourselves, cannot compete at world-price levels against the sort of ranch or range-type operation they have in America and Australia. Indeed, I do not know how you can reconcile this proposal with one of the objectives we saw at the start — a fair standard of living for the rural community and stability for farm incomes.

My final point is that we have already had a 25% price cut — more this week — since March 1986, and how the industry can take any more is beyond me. The major problem is an imbalance in favour of intensive production. The 1992 package favoured grassland production in a lot of areas, notably in the beef special premium with the two-payment system. However, the current proposals reverse this trend and discriminate in favour of the bull-beef production. An earlier slide showed a trebling of the premium on bulls, slightly more than double on the steers and only a 50% increase on the suckler cows.

There are two conflicting issues there. The consumer demand expressed by supermarkets and customers is for natural methods of production using a natural diet of grass, not cereals. There is also concern about animal welfare and that all points to extensive, grass-based production. One of the objectives of Agenda 2000 is to integrate environmental goals into the CAP and pushing bull-beef certainly does not do that.

The problem is that the major paymaster is Germany and they do not think the proposals go far enough down this route. There are two associated issues. The first is the dairy/beef split. Many people say that the beef special premium should be in beef feeds only — that was the original proposal when it first appeared in the late 1980s. It was to be in beef breeds only , but it got hi-jacked by the dairy lobby in Europe. And there are many who think that this is a chance to change back.

The other aspect is that the package proposes a dairy-cow premium. We understand that that may not go ahead. But it remains at present, and roughly a third of its cost would be funded from the beef budget, which we do not agree with. The beef budget has enough strains without taking on something else. Though we accept the argument that the dairy-cow industry will suffer because of the reduction in intervention and the associated drop in market prices, if you go back to the mid-1980s you will remember that beef suffered from the introduction of dairy quotas. It was supported by intervention, very generously. It was 100% funded from the beef budget. The dairy budget did not contribute, and we feel that the same principles should operate this time.

We have said that the rate of premiums are going to go up to compensate. But though it is one thing to increase the rate it is another thing if you do not get the premium or do not get as many premiums because the rules change. So there are obvious concerns for stocking density and extensification criteria, let alone quotas and headage limits. There is nothing concrete in the proposals, but they mention changes to the stocking density and extensification criteria which we can only see as meaning that while you might get a higher rate of payment you will not get paid so often, or indeed if you fall outside the limits you might not get paid at all. We are particularly concerned — as indeed are those in the Republic — that the person who bears the brunt of lower market prices will not really benefit from whatever the increased premiums happen to be. If he produces steers he will usually get the second beef premium. If he produces heifers he will get absolutely nothing at all. He will just take the drop in market prices should it be 10 per cent, 20 per cent or 30 per cent.

We see this as an opportunity for putting a case for reducing the age at which you can get the second beef premium. You could, for instance, reduce the qualifying age from 23 months down to, let us say, 20 months because of all the pressure with the over-30-month scheme and people getting close to the edge. We have had people fall or lose the premium and also with the lighter weights that are being imposed by interventions people are finding it difficult at times. They are having to decide whether to go for the punch or to market the cattle. If they market early they can lose out in the grades if they plump for intervention, or go for the punch they can lose out on something else. What we do not want is one payment, an amalgamated rate. Let us say that each payment is worth £100. If they amalgamate it we will not get £200 — we will get something like £120 or £130, and so we will lose £70 or £80. We want to retain the two-payment system, but we think they should try to lower the age limit.

We are also concerned about the reliance of many farmers on support payments. If you take the Department of Agriculture's figures from 1994 and 1995, out of the total value of output cattle, £410 million, between 22% and 24%, £90 million to £100 million, was made up of subsidies from the various premium payments and HLCA payments. The year 1996 was totally distorted because of the over-30-month scheme. Depending on how you look at it you could have a figure of between 40% and 50% subsidy, and that does not include intervention which is part of the output of the market return. So, in general, roughly 25% of the farmers' returns come from subsidies, and that figure is set to rise. It is going to go up for two reasons: first, because, apparently, there is going to be more in premiums and, secondly, because the actual return from the markets is going to come down.

We have done all sorts of calculations, but it could well be that the farmer ends up relying on 40% of his return from premiums of one sort or another at some stage in the future, and I do not think that that is a very happy position to be in. First of all, is it safe? How much of a guarantee have you got? There is pressure from a lot of people — including our own Government — to phase out those premiums over the next five or six years on a gradually reducing basis. So while you might still have premium support in the year 2000, by the year 2005 you might have nothing. The World Trade Organization talks start again in 1999, and the current premiums are not exactly the flavour of the month there, let alone the bigger premiums which have been proposed. So the end result could be what we have called CAP reform package number three coming out in 2005 or 2010.

Modulation is in the document but nothing specific. In the past we used to talk about the payment you would get depending on the size of your farm. But they are talking now about a proposed ceiling, be it £100,000, £200,000 or whatever they come up with. And this figure would cover all the various commodities including beef, dairy and cereals. There is a lot of opposition, though the suggestion is that the figure will be set so high that nobody will be affected, and so the proposal may just get through. Then, in years to come, the ceiling would be lowered and people would start to be affected. Quite honestly, it is hard to comment on that. Such a scheme may not affect our beef producers depending on the level at which the ceiling is set. And while we understand, and have some sympathy for, the principles behind it, we cannot really say anything more concrete until we have some idea of the figures involved. However one thing which does concern us greatly — which does not feature in the proposals but which Fischler has mentioned in talks with various people — is the renationalization of the Common Agricultural Policy. It would have won positive results were it to allow some variation in payments.

It has been suggested, for example, that the United Kingdom and the Republic of Ireland could make a payment on heifers. Presumably, though, that would be at the expense of cutting something else — it would not just be extra money. But the big concern would be if top-ups were allowed, and we were placed at a disadvantage relative to Europe as a whole and specifically against the Republic, although they might not be able to afford the top-ups. We would have no confidence, based on the actions of not just the current Government but the previous Government, that anything extra that could be paid would be paid. For example, in 1992 the United Kingdom Government limited the suckler-cow premium to what Brussels paid. There was also the matter of HLCA payments, the green pound compensation issue and taking the 03 grade out of intervention five years ago to save money. So I would have no confidence about our getting a top-up if one was available. In fact, I would bet against it. So we would be opposed to the renationalization of CAP. It is supposed to be a Common Agricultural Policy — we want to keep it as such. But, first, we would be happy if some regional flexibility was allowed.

The final couple of items are the deseasonalization premiums that we will get next year. We will almost certainly not get them in 1999. It is not mentioned in Agenda 2000, and the expectation is that that will be the end of it. The year 1999 will see the end of the premium, formally. The Republic is trying to put something in its place. There have been talks on a degressive basis. It will not be a permanent scheme but will be linked with third country exports. We would obviously like to be associated with that just as we are with the deseasonalization premium.

The final point is the Objective 1 status through which we get a top-up, which will be worth almost £19 next year on the suckler-cow premium. The Republic get it as well, and the general feeling is that the enlargement of the EU is likely to see an end to that for us. It is not strictly linked to Agenda 2000, but it is certainly coming up at the same time.

The Chairman: Thank you, Mr Ritchie, for an extremely clear and helpful presentation. Do you know what proportion of our beef production is bull beef?

Mr Ritchie: Very small. At its height there may have been 15,000 to 16,000 — less than 10%. It is a lot less now — well below 5%.

The Chairman: It was the flavour of the month about 10 years ago.

Dr Tempest: Good afternoon, Ladies and Gentlemen. It is my task to try to pull the strings together on the issues which you raised and which my colleagues have given you some detail about.

As for Agenda 2000 — you have understood the detail from Mr Ritchie — I will summarize our main production concerns. The proposed move to world prices ignores differences in the cost structures in the agricultural industries throughout the world — for example, the very large and very extensive ranch and range production in South America and Australasia. For instance, you might ask yourself how New Zealand lamb can arrive halfway round the world and on our supermarket shelves cheaper than we can produce it home. The reason is that they have a totally different cost structure in their agricultural industry and New Zealand producers can afford to take as little as £6 to £8 for a lamb compared to our £40 to £60. That is what I would quote as a good example of the effect of changing to world-market prices.

The move towards cheaper cereals in the world will encourage intensive production. It will, therefore, cheapen pork and poultry meat production. Beef and lamb competes for the housewife with pork and poultry meat, so we would face more serious competition when cereal prices become cheaper. But also it encourages, as Mr Ritchie has shown, intensive bull-beef production, and we have serious concerns about that, because that is contrary to the market signals that we are receiving, which are for natural extensive production from grass.

Those are some of the issues which we have identified from your points that are likely to affect the farmer and the producer in Northern Ireland. I trust that you will find our comments helpful to you in your understanding of the issues and the problems which need attention and solution for Northern Ireland. On behalf of us all, I thank you very much for inviting us.

NORTHERN IRELAND FORUM
FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Tuesday 9 December 1997

MINUTES OF EVIDENCE
(Mr J Gilliland
(Brook Hall Estate))

on

WILLOW BIOMASS

Mr Gilliland: One of the things that will also help is that in Brussels the Energy Directorate is saying that biomass has to go on to the Statute Book. In Agenda 2000, on the agriculture side, they will have to recognize what is going to go on to the Statute Book on renewable energy and that agriculture has a big part to play in that. The Farmers' Union took a delegation out about three weeks ago. We went out as a guest of our MEP, and all the commodity chairmen, senior representatives and Will Taylor were there as well. The commission told us that there were two things missing from the Agenda 2000 document, although they will be included later. One is food safety — which we can all identify with — and the other is industrial crops and alternative land use. That is the first time that I have seen DG6 acknowledging energy crops and industrial crops.

Before the Second World War, there was a very large industrial crop acreage in Northern Ireland; we grew two industrial crops, one was flax and the other was oat. You may say that oats are not an industrial crop but at that time, the majority of oats grown were not to feed cattle, but to feed horses. Horses were the transport of the day. So oats were a fuel crop — an energy crop. It was only after the advent of the Second World War, and Hitler and his U-boats that we became paranoid about food security. The Common Agriculture Policy was implemented in the 1950s so that Europe could become self-sufficient in food and farmers did very well at that. They became self-sufficient; in fact, they had a surplus.

I believe that the time is right for change now. Agriculture should go back to its original position which was supplying industry — and not just the food industry, but other industries as well — with raw materials, and energy is just part of that.

The Chairman: Thank you for a very comprehensive presentation. The interest that members have shown in what you were saying is proof of the enormous potential we feel this has for Northern Ireland.

This Committee would like to help to stimulate this willow biomass and energy production. We are visiting Brussels in January, principally to discuss Agenda 2000 and the BSE crisis, but we would like to make time to speak to the relevant people about this. Mr Barnes will liaise with you as to whom we should speak.

Mr Gilliland: That would be fine. I will be in Brussels on Thursday and Friday. I already have some contacts in DG6 and I will tell the appropriate people about your visit and suggest that they meet you.

The Chairman: Do you wish to comment on the Agenda 2000 proposals, as chairman of the Seed and Cereals Committee?

Mr Gilliland: I would like the opportunity to say a few words on Agenda 2000 in its entirety, rather than just on cereals — and this is wearing my own hat. In agriculture, we have to be resigned to the fact that the Common Agriculture Policy, as we know it, is not going to continue. Farmers are going to have to look at becoming better marketeers better businessmen; we are going to have to look at other ways of getting income. My biomass project is one example of what I have done within my business; I foresaw what was going to happen in my business.

It worries me that Agenda 2000 will not go far enough to be able to reach an agreement with the WTO. I believe that we may get an agreement on Agenda 2000 in 18 months or two years, only to have to renegotiate the whole thing in order to get a WTO agreement. If I have to bite the bullet, I would prefer to bite it once rather than twice. If the ultimate goal is to go to the WTO, then we would be better going the whole way there.

As chairman of the cereal committee, it is my job to try to make sure that that transition occurs as smoothly and as painlessly as it can. But it is not going to be without pain. It would be very foolish of me to say that all is going to be rosy. We had the first reform — the MacSherry proposals in 1992 — and one of the worst things to happen, from a long-term point of view, was that farming had a honeymoon period for two or three years. It is only in the last two years that we have had the cut-backs that we have talked about, and we had a massive devaluation of sterling just after that. There are a lot of people who believe that because the first reforms were not too bad that the second reforms will not be too bad either. I do not share that view, and I do not know how we can convince them that there are going to be changes.

I am particularly alarmed that the cereal sector is the only one being asked to make cuts in their prices without being given full compensation for doing so. They are asking us to take a drop of 20% in intervention prices, and instead of our arable land being fully compensated, they are proposing 50% compensation. That is totally unfair when other commodities are being considered for full compensation.

At the first reform of the agriculture policy, in 1992, they introduced the concept of a regional average yield. This figure was worked out according to the historic performance of crops in each member country. You were given your compensation on a tonnage basis, so that if your regional average yield was five tonnes per hectare, you multiplied your area by five and that gave you your area payment. The problem with that was that Northern Ireland was given a very bad regional average yield figure and that is now coming back to haunt us. Our area aid in 1993 was 22% less than England and 23% less than the Republic of Ireland. Yet if you took our individual crops — winter wheat, winter barley and spring barley — and compared them like with like, we were within 2% or 3% of the yields that they were getting in England and the Republic of Ireland. However, Northern Ireland's regional average yield was pulled down because we predominantly grow spring barley, which has a lower yield than those higher-yielding crops grown by a few specialist producers like myself. In the Republic of Ireland and England it was weighted towards winter crops, yet our individual crops yield just as well. We were discriminated against. We lobbied very hard and in 1995 we got it changed slightly — we are now 11% behind England and 12 % behind the Republic of Ireland. But the compensation being talked about by Brussels will further exacerbate it because it still uses this regional average yield figure. This discrimination will be compounded because the extra compensation that they are going to give will be that bit less again in Northern Ireland. That is the one big issue that we are particularly worried about at the moment. We have had several meetings at Dundonald House and they have said "We have given you one movement; we are not going to give you another." The problem is that Agenda 2000 is going to compound the problem and make life worse.

NORTHERN IRELAND FORUM
FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Wednesday 4 February 1998

MINUTES OF EVIDENCE
(Mr J Kelly, Mr L Cunningham, Mr N Michael,
Mr B McAlister and Mr S Smith
(Northern Ireland Bankers' Association))

on

FINANCIAL EFFECTS OF AGRICULTURE CRISIS

AGENDA 2000

The Chairman: Gentlemen, on behalf of Committee D may I extend a very warm welcome to you. We are very pleased that you have been able to find the time to meet with us again. It is unfortunate that the financial effect on agriculture has deepened since we last met. I took the opportunity of speaking to a couple of your representatives at a recent conference, and I indicated that we were looking at preparing a Northern Ireland response to the Agenda 2000 proposals. In your capacity as bankers, we thought that you might have your own insight into those proposals. However, before we move on to that perhaps you would like to make some comments about the **financial effects of the current agriculture crisis**.

Mr McAlister: Thank you very much. Having already met with the Committee at the end of October 1996, it is our intention today to concentrate on the period since then.

The overdrafts and loans provided by the four banks increased from £397 million in 1996 to £460 million in September of 1997, an increase of approximately 16%. Increased bank borrowing by the farmers normally follows a period of good profits and increased confidence, however the increase in the past year reflects the fact that on many farms overdraft limits were utilized more fully and were even extended to cover shortfalls in cash flow. No figures are available for hire-purchase, leasing and merchant credit, but there is anecdotal evidence to suggest that financial difficulties are being reflected in these types of finance.

The Department of Agriculture for Northern Ireland estimated a 35% reduction in farm incomes in 1997 compared with 1996, and that is confirmed by the experience of the four member banks. In fact the underlying cash flow situation for farmers is probably worse than that. There is general agreement that the crisis in the agricultural industry is worse now than in October 1996 as Mr Smith will explain.

Mr Smith: Good morning, Gentlemen. First, I will comment on the factors which are affecting most of the enterprises, and then I will look more specifically at the individual sectors.

The continued strength of sterling is probably the biggest factor, and it is affecting virtually all the sectors — dairy and beef, pig, sheep and mushrooms, to name a few. As you know Northern Ireland's agricultural industry relies very heavily on exports, the most significant one being the dairy sector where up to 80% is exported. That sector has been particularly badly affected by the poor exchange rate. There has also been a significant increase in the volume of imports, which has resulted in lower prices for local produce here, and that includes imports from the South of Ireland. The third effect caused by the strength of sterling is that the sterling value of all the EU subsidies and other support measures — such as intervention purchase and compensation for BSE control measures — has been adversely affected. The Northern Ireland Bankers' Association (NIBA) is aware that the Government can claim substantial EU funding to offset the effects of the strong pound, and it is disappointing that this compensation has not been claimed for Northern Ireland.

The continuing beef ban is causing problems. We covered that in great detail the last time we were here, so it would not be relevant to do so again. We are pleased to note that some progress has been made, but we are aware that the resumption of exports at the previous levels will take quite a long time to achieve. In fact, even if it were to be achieved overnight, the strength of sterling would impact on it, and the beef sector would not get anything like the prices they were receiving 18 months ago. So it is going to be a long haul.

Unfortunately during the past year the various compensation measures introduced by the Government in 1996 were either diluted or withdrawn completely. For example, the maximum payment for cull cows and other cattle in the over 30 months' scheme was reduced quite significantly — their value was reduced by upwards of 50%. That affected beef and dairy herds, which takes in over 80% of Northern Ireland's farms. Beef returns have also been affected more recently by reductions in the intervention tenders, by the removal of the O grades for intervention and the reduction in the maximum eligible weight. All these factors have had a very big impact on the beef sector.

In addition, the delay in payment of some of the 1997 subsidies, particularly the suckler cow premium, has caused problems this winter, and farmers have had to negotiate increased overdraft facilities to cover the payment of conacre and other items they had hoped to pay out of the suckler cow premium. So, that has impacted on farmers' cash flow.

The main problem at the moment is that incomes from virtually all types of farming are lower than normal. We have had crises in the industry before, in the 70s and in the 80s where two or three sectors might have been suffering, with the rest unaffected. But now the entire industry is under severe pressure.

The beef sector specifically is uppermost in our minds, so I will deal with it first. The combined effect of the lower finished weights (cattle are being slaughtered at a lot lighter weights now) and the poorer prices that have been received have reduced the sale value of good quality cattle over the last year by upwards of 35%, and in some extreme cases by more than that. And this is not reflected in the figure from the Department of Agriculture that Mr McAlister quoted earlier, which estimates that gross output from beef has only dropped by 2%. That is very much at variance with our general experience of farmers' bank accounts.

We have identified three reasons to explain the disparity in the figures. First, there was a backlog of over-30-month cattle, culled cows particularly, at the tail end of 1996 and the payment for many of these was not made until early 1997. So those figures have appeared in the Government estimates of farm income for 1997, whereas they are really a carry-over from 1996. And some of the top-ups in the 1996 suckler cow premium and beef special premium were also received in 1997 and they would therefore appear in those figures too. They will not appear in the 1998 figures because they no longer exist. And as I said earlier, finished cattle are now being sold at lighter weights, with the result that some cattle were sold in 1997 which, in the normal course of events, would not have been sold until 1998. That extra revenue received in 1997 distorts the normal trading picture and would help explain the Department's figure of a drop in gross output in beef of only 2%. But the cash flow situation for farmers is really a lot worse than that.

Milk prices have dropped very significantly in the last two years — over the last year alone they have dropped by about 4p a litre — and that combined with the drop in culled cow prices, calf prices and indeed returns from young dairy stock would have hit dairy farmers very hard. For example, on a 100 cow dairy farm, we estimate the drop in income to be around £35,000 in the year. As banks, we would have budgeted over the last few years for a much lower milk price than farmers were actually receiving to try to protect farmers to some extent from this drop. We never anticipated figures of this sort — 28p and 30p — being maintained long term, but the prices have dropped more sharply than most people would have expected. Many farmers took on other forms of finance and other commitments, and they are obviously now feeling the draught of that.

The pig sector is also very worrying at the moment, with prices having fallen drastically. They are now well below production costs, and even the most efficient units, which never suffered before and always managed to keep afloat, are really finding things very difficult. And the crisis has been over quite an extended period as well. Finished bacon prices are not even reaching 80p a kilo, which is well below the break-even price which is estimated at anywhere between £1.00 and £1.10, depending on the overheads structure. And they are now well below that, so that even the most efficient units could be losing up to £14.00 a pig, which is a serious shortfall to have to sustain over a period. We are also conscious that those prices are considerably lower than they are in the rest of the United Kingdom — for example, pig prices in Scotland are 10p to 15p higher than here.

Lamb prices have also fallen. It was a reasonable sector for a while, but the prices have fallen very sharply — by upwards of £20 a lamb over the last few months. Again, those figures are not reflected in the Department's estimates, thus reinforcing our point of the true gravity of the cash flow situation.

The potato and vegetable sectors have also been affected, mainly by the changes in the supermarket situation in Northern Ireland. The existing contracts that our growers had in many cases with the old supermarket ownership came to an end, and they had to re-negotiate new ones. And they came at a very critical stage in the production cycle, which had a serious impact on many of the growers who were contracted to the supermarkets as they had to invest significant capital to meet different requirements in terms of labelling, weighing or packing.

The agricultural supply sector has also been badly affected. We want to highlight the fact that it is not just farming which has been affected by the crisis. The whole agri-supply sector, and indeed the wider economy of Northern Ireland, is affected by that lack of cash. Farmers have reacted to the reduction in cash flow by cancelling plans that they had for capital expenditure, and that has affected the people who supply building materials, machinery and equipment. They have also cut back on the purchases of fertilizer and feeding stuffs and agri-chemicals. If the farmers feel they can do without them at all, they are doing without them, and that obviously impacts on those types of ancillary businesses. We would see that right across the board. Indeed the economy in the rural areas and small market towns is affected indirectly because when farmers have money they tend to spend it, whereas they do not have it to spend at present.

The whole agricultural sector is vital to the economy here and to the banks as well, and our policy is to support it in the long term. We are confident that the industry has a viable long-term future, in spite of the concern for the short-term situation. The more efficient and business-like farmers used the better returns that we had in recent years to gear up and re-equip themselves for the higher standards of animal health and welfare that are demanded nowadays, and that should help them to cope with the present problems. But we are conscious that, as in all industries, there has been recent restructuring and some of the less efficient people in the industry may well suffer from the present crisis. There could be less full-time farmers in a few years' time, though we want to make clear that we are not going out of our way to accelerate that process. We are very supportive of the industry and will continue to be so.

The Chairman: Do bankers think that the current strength of sterling will continue for the foreseeable future?

Mr Kelly: That is a very difficult question, we would need a crystal ball. Tomorrow, Mr George will make another announcement and the betting is that he will increase interest rates again; at least that is what the markets were saying this morning. And they would already be in the process of discounting that. There will certainly be a fairly volatile year in relation to currency and exchange rates, particularly between now and May when those countries that are going to enter the EMU will decide on their level of entry.

Let us assume just for a moment — and I want to emphasize to our journalist friends here that this is pure supposition — that the Irish Government enter at 2.41 and the pound sterling comes back against the deutschmark to about 2.80. That gives you a sterling exchange rate of 85p against the punt — a very competitive situation for our exporters. Only time will tell whether that is right or not, but people who think that there is going to be a fairly rapid return to parity are not being very realistic about the situation and what the markets are saying.

Mr Shannon: Thank you, Mr Smith, for your very detailed assessment of farming as it is now. Many of us would agree with your interpretation of where the problems lie.

I was interested in your last comment that the banks were not going to accelerate the farmers' problems. One of my questions or concerns relates to bank charges. In the past when you had a relatively small overdraft there would have been a call from the bank manager to say "You are a wee bit overdrawn in your account. Can you come in and sort it out?" But lately, some people have been telling me that their banks have been applying charges straight away, without any warning. And whenever the customer contacted his bank manager he was told "I can do nothing about this. This has come from further up the line, from the owners of the bank." So

I am quite concerned that there has been a change in policy whereby the bank manager does not have the same discretion that perhaps he once had with his client, and that now a new policy is being dictated from above.

Mr Smith: Can I first say that this presentation is a combined effort from all of us, on which we all agree, having discussed it beforehand. As far as I am concerned, there has been no change in the policy in relation to overdrafts or overdraft limits. I am not aware of any change in the situation. Obviously, the whole economic climate being tighter meant that quite a few people last year were right up to their overdraft limit — indeed over it in a few cases — and had to rearrange another limit where the business justified that. In previous years, especially when times were good, people often had an overdraft limit that was not fully utilized, but last year we have seen the cash flow problems being reflected in much higher utilization of those facilities. But I am certainly not aware of any change in policy.

Mr Michael: I agree with Mr Smith. When you say bank charges, Mr Shannon, you are probably referring more specifically to a rise in interest rates, rather than fees.

Mr Shannon: That is correct.

Mr Michael: We would always encourage farmers, if they are coming up to or, indeed, starting to exceed their limit, to talk early with their bank managers. Their banking facilities can probably be renegotiated with an increased or extended repayment term or something. There are always ways and means. We are not out to treat farmers in any sort of underhand way because of the unfortunate circumstances they find themselves in, we are not trying to profit from their unfortunate circumstances. So we would not be endeavouring to penalize them; we would be looking at the facilities they presently have and at whether there is a need to reschedule or increase them or whatever. In such a situation a bank manager and his customer need to sit down, discuss and agree a way forward.

Mr Shannon: I welcome the consultation method of settling any problem there may be. The indications that I and other members have had is that some cases have been treated in a hard-and-fast way, and they are a wee bit concerned about that. Given your comments, maybe those cases are the exception rather than the norm.

Mr Kelly: In our organization customers are notified before anything is charged to their account. It is the same as any other organization sending out a bill. It is done quarterly and that applies to each and every customer, including business and personal customers. If there is a difficulty with the charges, it is up to each individual to take the matter up with his bank manager.

Mr McAlister: It needs to be remembered that some people run away from their problems. They do not address them and they probably have reason to complain. But their bank managers have reason to complain too. Not every case is as it should be.

Mr Cunningham: I agree with what the rest of the team is saying. We try to encourage farmers and others to take action to reduce their charges and the amount of interest they have to pay. The most important thing is this: if they see difficulties coming down the line, they come and talk to us — that is the message to get across — rather than turn a blind eye and hope it will not happen.

Mr Shannon: Your comments are certainly constructive, and I appreciate that. We all know the problems started with BSE. Farmers saw the problems with BSE and decided to diversify, to do something else. There is no sector in farming — and I agree with you — that is doing well. Farmers have diversified, and indeed in some cases it may have exacerbated their problems, because the diversification has not been successful either, and the initial cost may have been a factor in that.

Last night I was asking farmers what their opinions are now, and they told me — and I agree with what you said during your presentation — that next year will be hardest year so far. You may find that people who have had farms for umpteen years, whose farms have been in their families generation after generation, will be having very serious problems. How will the banks treat those who find next year the hardest year? Will they get that wee bit of extra consideration and help they will need? I am talking about people who have been in farming all their lives, who know nothing else and will want to keep their farms.

Mr Kelly: There is a partnership with our customers. There is the old saying: if you owe the bank manager £1,000 you have a problem, if you owe him a £1 million, he has problem. So we will not be doing anything precipitate in relation to the agriculture industry. Obviously some people out there will have very serious problems, some of them of their making. They may well have a problem that was masked in the good times — only with the downturn did it become apparent, and fairly difficult decisions may have to be made about that. But that is no different from the situation in 1976, in the early and mid 1980s and at the beginning of the 1990s.

A couple of things are different. We have a low inflation rate which we did not always have. We have low interest rates which we did not always have — I am old enough to remember interest rates at 15%, 16%, 17%, 18% and, yes, 19%. I am also old enough to remember 1976 with an inflation rate of 26% — those were really difficult times. Now with every recession, whether in agriculture or any other industry, there is a fall-out. For example, look at the retailing sector in Northern Ireland at the moment in relation to some the multiplies that have come here. They are having a knock-on effect on our retailers, and there are already casualties. All you have to do is go to the Lisburn Road in Belfast and look at the number of people there who had very successful small fruit shops. Two of them have closed, they are gone, and that is a fact of life.

I will leave you with this: we will work with our customers, and where we can arrange a repayment capacity, we will do that. If that means that in the short term we have to lengthen the repayment period for those loans, that is what we will do. We did it before, and we will do it again. If people are only able to meet interest repayments and not capital repayments, we can put a moratorium on capital repayments for a short period of time, such as a year or eighteen months. If we are confident of the information that we are getting, that is not a problem either. Agriculture is asset rich and cash poor. And it is going to be.

We do not disagree with you. We believe that it is probably going to be even more cash poor in 1998 than it has been in 1997, and since it is cash that pays back loans and pays off overdrafts, we are going to have to measure commitments against the cash availability. But I will not say for minute that we will ignore people who have buried their head in the sand and walked away from some of their problems for a long time. What happens in that situation is that the problem comes to a head at a particularly unfortunate time.

Mr Shannon: Thank you for your assurances. The next twelve months or thereabouts are probably going to be the hardest. Last week I spoke to some successful farmers, and that is what they think is happening. Those who are not successful will obviously feel the pinch more.

In the need to diversify, many farmers went to different businesses. Let us take one sector of the farming industry, potatoes. The area that I represent has long been renowned as the potato basket of the province. Other members may disagree, but that is my interpretation. We have had to make some dramatic changes in a very short time because of the impact of the giant supermarket chains. What is the opinion of the banks on reinvestment given that we are in difficult times?

One of the things that we as a Committee have tried to pursue is diversifying into co-operatives — indeed, other people are in favour of that as well. Obviously farmers will be requesting some financial assistance for this from the banks because grant-aid from the Government is never as much as they would like. There has always been a fairly big personal borrowing rate by those who want to put up a new shed, clad it out and refrigerate it or bring in the packaging systems that the big stores want us to. What is your opinion as bankers about people who have to invest now to stay in business?

Mr Cunningham: One of the first things we look at is the ability of farmers or customers to market their products. You have to look at the market-place, at what the consumer wants and the at farmer's ability to sell into that market. That is obviously variable across farming, and what you are coming to is the very important need for restructuring generally. We may in fact move more into co-operatives, where you would not require huge levels of capital investment at individual farm level. Rather, as you move up the pyramid, as it were, closer to the supermarkets and the end user, that is where you get the level of capital investment going in. It is a high-risk area, all of which has got to be appraised very, very carefully. I suggest that co-operation generally and the coming together of farmers could be very important for their future well-being.

Mr Michael: I would echo that. I do not think that individual farmers, because of the capital expenditure that is needed for the type of housing that is required, would be able to finance that, given their own cash-flow. There is going to have to be much more co-operation in this area than in the past. It has happened very quickly, I agree with you.

Mr Shannon: It is high-risk as you have rightly said, but the risk is there for the farmer as well and he realizes he has to change. The opportunities and the challenges are there, and I think our farmers can rise to them, but they do need help. In this time of financial restrictions they need assurances from yourselves that people who want to make these high-risk changes to meet the new trends in the market-place will have that help.

Mr Michael: They do need to co-operate and that is not something that farmers have been particularly good at in Northern Ireland until now.

Mr Shannon: I think they realize that perhaps that now.

Mr Smith: One of the things that concerns me about that is that the supermarkets have identified a relatively small number of suppliers. Previously a lot of people supplied a central packing facility, for example. The present system seems to be identifying a much smaller number of people who are required to spend a lot more money — it is more concentrated, and the contracts are very open-ended. From a banking point of view, it is difficult to get anybody to commit himself about the sort of price he is prepared to pay or the margin that will be available under the new system compared to the old one, and that is a problem. The changes we have had have all happened so quickly that it is quite difficult to assess what the situation will be like.

Mr Kelly: Your question is quite specific and it is a good one because it raises the matter of the investment that is required. I would ask the Committee to use its influence as much as possible to get basic finance or a grant structure, in addition to what is already available, to enable people in the processing sector to lever-down FEOGA funding. Part of the problem for some people who really want to invest and look to the future is that the 5% national grant is not available to allow them to lever 30% or 35% of FEOGA funding which is there for the taking, and that is something that I would ask the Government to look closely at. I am not ahead of the posse in this one. People are aware of it, but I would like to bring it to the attention of the Committee again.

We need to look at the industry's cost structure, particularly on the input and the processing sides. We need that sort of investment because the multiples are of such a size that there are not many industries in Northern Ireland capable of competing with those who already supply them. They do supply them in the local market, but they do not supply them in Great Britain, and that is something that we need to be aware of. If we cannot get into that market-place it is first going to affect those markets that are available to us, and secondly it will affect the price we can get and the continuity of supply. I have absolutely no problem with the efficacy of the product — it is first class, we have a lot of investment and a lot of good people — but we need to look at its scale. While that will require investment, it will result in the out-take of cost and those two things go together.

Finally, I want to comment on food labelling, which I support, but it should not just apply to food sourced in the United Kingdom. Our industry is being asked to meet certain standards for their products, and then it has to compete with products on the supermarket shelves which have been sourced elsewhere. The problem is that they may not have met the same standard, and that situation needs to be addressed sooner rather than later.

Mr Gaston: Some of the national banks have made fairly considerable loans to the Far East where I assume there will be losses. Will those losses be fed down the line to a local level?

Mr McAlister: I do not think that many of the local banks have ever been adventurous in lending to the Far East or anywhere else for that matter. When that kind of lending is done on a syndicate basis, it does not generally impact on the domestic scene.

Mr Gaston: I remember one bank which made considerable losses in South America.

Mr Kelly: There is not the same level of exposure to the Far East that there may well have been some time ago — perhaps it is a case of once bitten, twice shy. Those crises ripple throughout the market and have knock-on effects. But we are no different to anyone else; if we make losses, we have to take them and they will show up in our published reports. However, the stock market indicates that there is a fair amount of confidence around at the moment
.

Mr Smith: While the Ulster Bank is a very important part of the Natwest, it is relatively small in terms of its overall volume of business, and so I cannot see any losses made elsewhere being significantly reflected in Northern Ireland.

Mr Speers: I am pleased to hear the banks reassuring the farming community because farmers have a number of concerns.

It has been said that one million people did not return their self-assessment forms to the Inland Revenue by the due date, and I am sure that some of those are farmers. It used to be that we could stretch out the time before we responded, but that is no longer the case. However, farmers are facing an abnormal situation. We are addressing the tax situation from one or two years ago, and so surely the Government should be taking a more common-sense and compassionate approach.

Secondly, it has been said that the Government are looking at a 2% drop in the price of beef —

Mr Smith: It was a 2% drop in gross output, which is a different thing to the price of beef, but perhaps we can discuss that later.

Mr Speers: Nevertheless, there has been a 36%-38% drop in farm incomes, which followed an already bad year.

Thirdly, the Government should look at job creation in he agri-food sector because I am concerned about the role of the IDB and LEDU. I believe that other sectors are getting more assistance from the IDB than the agri-food sector is getting. Finally, I think that a more co-ordinated approach is needed — at the moment you can be passed between FEOGA, the Department of Agriculture, LEDU and the IDB.

What are NIBA's views on these points?

Mr McAlister: I have found LEDU to be very useful for those setting up small businesses, and I have the same opinion of the IDB, though we all remember the likes of De Lorean's money. However LEDU and the IDB are facing change — a new body may supersede them — and so it may be appropriate for your points to be considered by them.

Mr Kelly: I have found both LEDU and the IDB to be supportive when it comes to major capital investment, although I know that there has been criticism that support is more readily available to those companies wishing to invest here, more so than it is to those already here. I would like a more strategic view taken of the food industry, one which identifies where it is going, what it is we want and how we achieve it. For example, the potato industry has been decimated, and there is no point in producing crops which are not wanted. We need to take a more integrated approach. A good example of how we should be doing things can be seen in the poultry sector. It may be suffering at the moment, but that is not through any weakness in its structure; it is suffering because of the strength of sterling and the tremendous competition from imports. We need to ask ourselves some questions: what type of industry do we want? Where are we going to sell our products? What type of manufacturing and value-added processing area do we need to do that? However, people will hide and say "You are asking us, as inputers of public funds, to make decisions about who gets grants and who does not." The strong always come to the top and are reasonably easily identified in a competitive situation.

Our near neighbours have done a fair amount of restructuring in a reasonably short period of time, and that was with both industry and public bodies working in tandem. And if you talk to them, they claim that they still have more to do.

Mr Speers: I agree totally with your last point. How do we prompt the Government and industry here to grasp that nettle?

Mr Kelly: The person who comes up with that will have found the key. But the first thing we need to do is recognize it and get that debate going.

This comment may appear naïve or simplistic: output minus costs equals profit. We cannot influence our output much because of quotas. It is reasonably static, but in certain areas at farm level it is decreasing. We have to operate in the real world with regard to the price that we get. The one area that we do have some influence over is our cost base. There are some factors within it that we cannot control such as another oil crisis, but otherwise we have some influence over it. We should be looking at what it costs us to produce a unit of output compared to other people in our industry. I am a supporter of co-operatives because farmers need to have some sort of financial involvement in the processing of their food beyond the farm gate. I am not sure that they are always the best people to be running those businesses because they focus on the primary price rather than on the market-place. But I agree with you. We need to broaden that debate and start to think more strategically about where we want this industry to be because there is a lot of change taking place in the market, and it will be forced on us if we do not start to do something about it.

Mr Michael: I want to echo those comments. We need an overall strategy for the agricultural industry in Northern Ireland, and that is something that we do not have, and there appears to be little prospect of us having it in the immediate future. But a strategy is essential when we are going through periods of change.

With regard to self-assessment, we in the Northern — and I am sure other banks are the same — have been trying to get this message home loud and clear to customers for a long time. We knew self-assessment was coming up and some of the deadlines have come and gone. No matter what deadline had been put on it, even another three months down the line, there would still have been one million people crashing through the doors on the last day; that is just human nature. Having said all of that, we certainly have no influence over the Inland Revenue; we try to conform to the rules and regulations just like everyone else.

On another point, we are making all our customers, particularly those borrowing, aware of the effect that the new millennium will have on computers. It is a well-known fact that a lot of systems will be affected by this, and the Department of Agriculture should be listing those that will impact on agriculture. Indeed, I have already taken this up with the Department at the highest level. I am told that there are not enough staff to convert all these systems between now and the new millennium, and while the vast majority of farmers will be unaffected, others will be.

I presume that companies will deal with this in their own way, but we, as a bank, will be testing our systems this year. There is no way that we can get it wrong as you can well imagine.

Likewise, we would not want farmers or anyone else to get it wrong, but I just know that it is not uppermost in their minds at the moment. They 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, and I hope they do, but I would like to see more information made available at local level. For instance, we are giving our customers a form to complete, which will make them aware of the implications that the year 2000 will have for information technology.

Mr Cunningham: You asked about investment and about upgrading facilities. The same sort of question was raised in the 1970s. I recall a group of people being brought together to look at it from all sectors of the industry; I recall great concern being expressed and evidence of a willingness to try and do something about it by putting pressure where pressure was necessary. But things got better and it went on the back burner. Then it raised its head again, but times got better again and it went on to another back burner. This is the third time it has raised its head. It is about time that something was done.

Mr Speers: I appreciate those comments, and I feel fairly strongly about that. The agricultural scene is changing and we are not in a position to address the issues. The Government have a responsibility to take this debate forward in the interests of the whole community.

Mr Kelly: This needs a driver. Lowry's scenario is absolutely right: it gets put on the back burner, or a report is written and it gathers dust. It needs a driver because as a friend of mine says "Turkeys do not vote for Christmas." There are some tough decisions to make with regard to that, and we are supportive of any attempts to move this forward.

Mr Smith: Surely this Committee is in a position to take things forward, indeed, it may be in a better position than we are. I agree with what you say, but surely this Committee has a lot of influence and could take this thing forward.

Mr Speers: We are not sure of the Forum's lifespan.

The Chairman: The problem that we have identified is one that many of us who have come into this over the past couple of years have seen, be it in agriculture or fisheries. One of the real consequences of direct rule over the past 20-odd years has been a lack of local direction of policies. Whatever happens with these peace talks, there is common agreement about the need to get back some sort of accountable government in Northern Ireland so that local people can make those decisions and be the drivers of the whole process. Perhaps before the year is out we will be in that position.

While we can play our part in influencing, I wonder if your Association could meet the Minister and go through many of the points that we have discussed today because I am not sure if that has ever been done. It would be quite a potent force because we have been impressed by the common approach that the four of you have taken in the past, and it is something that would not be lost on the current Minister or Administration. I leave that with you to consider.

I want to ask a question before we move on to agenda 2000. In the past you expressed concern to us about the level of ex-bank debt, and we have discussed how we can get some idea of the level of that type of debt. Has anything been done about that, or is there still no clear means of identifying it?

Mr Kelly: The short answer to that is no, there is not, and the problem is still there. There is no reason why the growth in that would not be of a similar nature to the growth in bank debt. There may not be a total parallel between the two, but it would be fair to assume that is has not gone down.

Mr McAlister: Something like 17 financial organizations have set up in Northern Ireland in the last few years, and not all of them look at the viability of the businesses to which they lend money.

The Chairman: And what concerns me is the ease with which you can obtain credit. Take credit cards, for example. You regularly get letters through the post offering an increase in your credit limit of almost astronomical proportions, which you have never asked for and do not particularly want. But if you are facing financial difficulty, there must be great temptation to use that type of facility. That can prove very costly in the long run.

Mr Smith: We have some concerns about a lot of that type of hire-purchase and leasing credit. I am not knocking the leasing and hire-purchase companies in principle — some of them are subsidiaries of the main banking groups that we represent. From an individual's point of view a lot of the finance that is available from finance companies is based on, say, the purchase of a car or a tractor, milking parlour equipment or whatever, and it is usually very short term. The lending banks tend to take a broad, long-term view of a business and try to ride-out the rough years and smooth out the good years. When we had several good years in a row in the mid-90s a proliferation of these finance companies came into the province because they saw a market here. Farm incomes were good and they thought they might as well have a slice of them, to put it crudely. Those facilities are now having to be cleared up in a very short time, and they are putting tremendous pressure on the whole system. I hope that when a lot of that money is paid off, farmers will sit back for a while and try to get the business on an even keel again. That is the only hope that a lot of farmers who have borrowed heavily have. A substantial amount of borrowing is not from banks at all, but from other finance companies. When they get through that they will maybe take a breather for a while, steady the business down again and survive in the long term as a result, but in the short term it could be very tough in cases.

Mr Speers: How do you view the current price of land and your borrowing or lending in respect it?

Mr Smith: It does not seem to make a lot of sense at present. The fall in farm incomes has not affected the purchase price of land though it may have affected conacre in some areas. Of course, not all land is purchased by farmers, and that is a point that is worth making.

Mr Michael: We lend a wee bit of money for that sort of thing as well! There has been very little fall in land prices. Maybe a wee edge has come off it here and there, but land prices have generally stayed very firm during the last two years against a background of falling farm incomes. Four or five hundred — I do not know the exact number — different parcels of land or holdings are sold each year, ranging from an acre up to quite substantial farms. Half of those farms or holdings or bits of land are not directly purchased by farmers who are farming full-time. They are bought by other people, such as businessmen and those taking advantage of roll-over relief. There are various other reasons for buying land, and to some extent that tends to keep the price up as well, and they are not making any more land either, of course. Generally speaking, other influences affect that market, rather than just pure agriculture.

Mr Speers: It is a important to get that across, because it is a contradiction of what is happening in the industry in general. We all know the dire straits that farmers are in, yet these figures reflect a different situation, so I welcome your comments in that respect. We should begin to compile information on that. To some extent it is the one significant issue that goes contrary to everything else.

Mr Michael: Of course it is not everybody who borrows money, and not every farmer who borrows money, borrows up to the maximum, viable limit, so there is always an opportunity, even in bad times, for farmers to purchase additional land. And that is happening.

Mr Cunningham: There is another point that we need to be aware of here. In Northern Ireland land tends to come up in small parcels, so while the price per acre does appear very high — indeed, from an economic point of view, it makes no sense normally — because of the total amount of money involved, quite a number of people can aspire to it. It is not comparable with what happens across the water, or indeed down South, where the average parcel of land tends to be a lot larger.

The Chairman: Let us move on to **Agenda 2000**. Perhaps we could hear your thoughts on the initial proposals that have been published.

Mr Smith: We have difficulty quantifying the effects of the Santer proposals because they are at a very early stage, and there a lot of other political implications. as a result of the presidency of the European Union. The broad aim of making agricultural produce more competitive in world markets, which seems to be the thrust of the Santer proposals, could adversely affect Northern Ireland. We will be concerned about the impact on end prices if there is not a balancing mechanism to compensate. But, to be more positive, if the modulation proposals go through in the way they are talking about, Northern Ireland might gain because we have smaller scale farming compared to the rest of the United Kingdom. If they put upper limits on the total amount of money payable per farm per year, that might benefit us in some way. But it depends. The mechanics of the whole thing are still, I think most of us would agree, very much up in the air.

We could benefit too from the increased emphasis on environmental and animal welfare practices that are being talked about, but our concern there is that other countries would have to adhere to the same set of controls that we have to adhere to — we seem to be ahead of the game in Northern Ireland in terms of sow stalls and other things — before we would get benefit of it.

If everything is policed properly throughout Europe, Northern Ireland will benefit because we are ahead of the game. If it is not policed properly, we will have spent the money but we will get no benefit from that, and that would be a real concern. Our biggest problem is that each time you hear a reference to Santer proposals, they seem to be slightly different, and that is going to continue to be the case well into this coming year.

Mr Michael: I was at the Ulster Grassland Conference yesterday — at least one member of the Committee was there as well. One of the papers was given by Richard Wright, who, as you know, is very familiar with the Brussels scene. He and most other people I have been talking to think that this is very much at the preliminary stage. We are likely to see a flurry of activity in another month or two when the document is produced, and then it will settle down again. It is very political.

The German elections are looming up around September, and no one really imagines for one moment that anything to do with Agenda 2000 is going to be seriously discussed until after those elections are out of the way. That takes us to November and nearly to the end of 1998. Perhaps this time next year we will be starting to get into the real meat of the situation. It could well be Spring 1999 before we get down to the real nitty gritties of it. Because it is so much at the preliminary stage, our views on it are not that specific, and how can they be?

The Chairman: Yes, I share those thoughts. A deputation from the Committee met Commissioner Fishler about fortnight ago. We were briefed on the Agenda 2000 proposals, and they indicated that in about the third week of March there will be more definitive proposals, although, they will probably not vary that much from the initial proposals.

There does seem to be a clear move to ensure that the 30% beef cut comes into effect, and we obviously share your concern that there will have to be full compensation for those sorts of cut-backs and time given for readjustment and restructuring. They do expect some form of clear statement to be given about the future of milk quotas post-2005, which will obviously have major implications for Northern Ireland. While quotas will remain up until then, there is going to have to be some indication of the Commission's thinking for post-2005.

One of the issues that the Committee is also addressing was referred to by the Minister, Jack Cunningham, when he announced the small, modest aid package for farming and that is his drive to restructure the industry and look favourably now on an early-retirement scheme for farmers. He seems almost to be thinking in terms of “a decommissioning scheme” for farmers, whereas our objective for an early retirement scheme is to stimulate young people to come into the industry. Have you any thoughts on those proposals and have you any information on the general pension provision or private pension provision that is made by farmers in Northern Ireland?

Mr Cunningham: In my experience very few farmers make adequate provision for retirement. There has always been a tendency to invest in land, building and machinery, while it might have been more advisable to use some of that money for pension provision, especially when the rules changed some years ago. We try to encourage our farmers where possible to divert money into pensions.

Mr Smith: I agree. The present generation of farmers who are at retirement age would like to retire but cannot in many cases because they do not have the wherewithal. But the younger generation of farmers, people in their late 20s or 30s, are taking some action now. We are talking about the people who are going retire over the next 20 years, and I do not think that most of them will have made adequate provision at all.

Mr Speers: I have always felt the Government are dishonest in their approach. While attempting to defend the state pension and implying that it was sacrosanct and would not be touched, they were inducing individuals to take out a pension through tax incentives. I do not know whether that has changed or not. A degree of honesty is needed on the part of the Government. I do not know whether anyone believes that the old-age pension is going to be relative to anything in 15, 20 or 25 years. The Government need to be open and give a genuine incentive to people to enter into a private pension scheme, possibly a tax incentive. Maybe that is another issue for long-term planning.

Mr Kelly: On an early retirement scheme, I just happened to look at the age profile recently, and the statistics, from memory, are for my own age group as opposed to the younger group, 30 to 45. If an early retirement scheme does not move that age profile back, what is the point of it? What we want to do is encourage younger people into the industry and the younger people who are already in it to get the opportunity to plan and manage their own businesses at an earlier stage. From a personal point of view, I will support anything you can do to make it a real early retirement scheme, as distinct from just a way of getting people out.

This is about scale and unit costs again, and therefore the more that can be done to encourage that, the better in terms of the production. We need to look at the total output of the Northern Ireland farms, as distinct from the number of farmers. And that is a fairly controversial statement insofar as it affects the rural economy, and I am not trying to denude that. But a balance needs to be struck there as well.

The Chairman: Thank you all, very much indeed. It has been a most interesting and constructive session. If you are interested in following the comments on the food standards agency and the labelling issue, we have copies of the report which we recently published on the sourcing of agricultural produce in Northern Ireland by the new major multiples. The Committee is hoping to facilitate a conference of the industry in April to look at Agenda 2000, the industry’s current problems and how the Government might be influenced to move things forward. Perhaps, as an association, you would consider identifying someone to contribute to that conference? Finally, thank you, on behalf of all members, for coming along and for the constructive manner in which you have facilitated us.

NORTHERN IRELAND FORUM
FOR POLITICAL DIALOGUE

STANDING COMMITTEE D

Thursday 2 April 1998

MINUTES OF EVIDENCE
(Mr J Martin, Mr M Graham and Mr N Murray
(Young Farmers' Clubs))

on

EARLY RETIREMENT SCHEME FOR FARMERS

The Chairman: You are very welcome, Gentlemen.

This Committee has for some time been preparing a report, which, among other areas, is examining means by which young people can be encouraged to remain in agriculture. We have been looking at rural planning issues, agricultural education issues and also the possible introduction of an early retirement scheme for farmers. And all this of course is against the background of the Agenda 2000 proposals, which the committee is commenting on. Since we are now drawing our report to a conclusion we felt it important to take evidence from yourselves as the representative organisation of young farmers.

As a member of the club myself for many years, I am particularly pleased to welcome you here. Can you please make your presentation, and then perhaps take some questions from members.

Mr Graham: Mr Chairman, I begin by thanking the Committee for their invitation to come along today. We apologize for not being able to accept your invitation on the first occasion, but we are delighted to have the opportunity to have some input. My colleague, Mr Martin, will make a presentation on the early retirement scheme. He is a past vice president of the Association, and currently farms in partnership with his father in Greyabbey. He represents the Association on a European Committee called Sesia, which deals with these type of issues, so he is very well informed.

Mr Martin: Gentlemen, we have put together a number of points, but first I will give you a little background. You may be aware of some of this, but in 1992 the European Commission adopted a regulation Number 2079/92, which provided aid for an early retirement scheme for farmers. This was a very proactive step to promote restructuring of the agricultural industry throughout Europe, thereby ensuring its future viability and providing a conduit whereby farmers may enter and participate in farming at a viable level. An early retirement scheme would encourage the replacement of older farmers by younger farmers and, at the same time, provide an income for the transferors, thereby potentially improving the earning capacity and living standards of both parties.

Let us look at the uptake of this scheme to date. Ten of the current European Union member states have introduced such a scheme, and the United Kingdom is one of the other five which do not provide this option. It has long been argued that it is possible to introduce such a scheme for Northern Ireland alone because the legislation provides for regional introduction. You are probably well aware of the different agricultural structures in Northern Ireland, which are family-farm based. Statistics show that 52% of Northern Ireland's farmers are over 55, and many of them operate very small businesses which provide insufficient work to occupy even one person full time. These statistics suggest a stagnating industry, and this can be attributed to tradition and the fact that as owner occupiers they are reluctant to sell for fear of losing face or a long-standing family tradition.

These latter considerations are not generally applicable to Great Britain where there is much less of an emotional tie to the holding, therefore, there is a more fluid market with farms for sale. As a result, there is less need for a retirement scheme on the mainland. On the other hand, an ageing farmer profile indicates that the younger generation are not prepared to tolerate the low incomes and poorer conditions that were accepted by their parents. This is the type of person that the retirement scheme was designed to help, and another important figure to bear in mind is that only 9% of farmers in Northern Ireland are under 35, so as time progresses the problem will get worse.

Let us look at the success of a farm retirement scheme in the Republic of Ireland. Forty per cent of farmers there are over 55, so we find ourselves in a more acute situation. From January 1994 to 31 October 1997 some 6,786 applications were approved in the Republic. That accounts for approximately 18% of those eligible. In 1997 the average pension of those who gained approval was £9,300, and the average age of those applying was 62. The average age of the transferee was 31, and, to date, participating transferee holdings have increased by an average of 44 acres. That is equivalent to two thirds of the average farm size in the Republic of Ireland. So you can see that there has been a very marked increase in the size of holdings where this scheme has operated.

As an Objective 1 region of the European Union, the current legislation would fund 75% of the cost to the United Kingdom of such a scheme. It is imperative that this offer of funding is taken up now, given the discussions that are taking place to dissolve the designations of Objective regions. That could result in this high level of funding being lost if it is not taken immediately. The remaining 25% has to be sourced from the member state's government, however, many of the farmers who would be eligible to participate may already be receiving income support. Payments to farmers under the scheme may also be subject to tax considerations, suggesting that the overall net cost to the United Kingdom could be much less than the 25% suggested. However, funding may require co-operation from a number of different government agencies because the scheme would draw on funds from different departmental sources. Amounts of this magnitude are not really going to be significant in the context of overall public expenditure for Northern Ireland.

Flexibility in any farm retirement scheme is also essential and this really has to be a core element. Any scheme that is introduced must be tailored to take account of the existing industry infrastructure and to meet the current and future needs of the region. Above all it must improve farming opportunities for younger people. Traditionally the European Commission's regulations allow for a certain degree of flexibility by member states in interpreting and implementing them, thereby addressing pertinent, relevant issues in drafting their own national legislation. We hope that that will be the case for any scheme for Northern Ireland.

Recently the Government have recognized the need for such a scheme, and in his recent state of the industry speech to the Ulster Farmers' Union annual dinner, Lord Dubs reiterated the importance of agriculture for rural life and the economy of Northern Ireland. He confirmed the Government's commitment to providing a framework within which the industry can prosper. The introduction of an early retirement scheme would go a long way to realizing this commitment and we accept his belief that this is the case.

The scheme itself must have a number of core features. Participation should be voluntary; it should be effective in achieving the objectives laid down; it should be attractive to potential candidates; and it must be flexible in its implementation without detracting from the basic requirements. The transferors are the people who should be retiring from the industry. Eligible applicants should be accepted regardless of farm type or geographical location. Any scheme must recognize that the transferor should be over 55 and, at the time of application, be receiving at least 50% of his personal income from the farm. To be eligible the land being transferred must be amalgamated with an existing unit or else put to non-agricultural use.

However, before introducing this scheme careful consideration must also be given to the financial position and taxation and other legal hurdles which may hinder its uptake. It is important that such hurdles are overcome and that fraud does not occur. The process must be seen to be transparent. Farmers and their spouses who farm in partnership and who are eligible should apply in the younger partner's name to maximize the aid. Transferors should also be allowed to retain the farmhouse and up to one hectare of land. That is an imperative because many people would have concerns about their ability to purchase a new home for themselves or their family.

The transferees or new entrants should be under 45 and hold a recognized agricultural qualification. The transferee should be a farmer or be prepared to give an undertaking that following the transfer farming will be his main occupation for at least a certain period. It is extremely important that the applicant shows a significant commitment to farming as his chosen career, and farming should provide at least 50% of the transferee's income, separate from that of his spouse.

The transferee should also be a close relative of the transferor — perhaps a son, daughter, niece or nephew. The tax implications of gifting the land in such cases need to be favourable. Transfer by lease should also be permitted if the gift option is not acceptable to either party, providing the transferor has definitely ceased farming commercially. This will help young farmers who have limited access to capital funds. It should also be quite tax efficient for them, and, again, a minimum period should be specified in the lease arrangements.

Transfer of production quotas on the transferors farm should be offered in the first instance to the transferee to help overcome yet another entry barrier, and the person transferring the quota or the right to production should receive perhaps 50% of the market value of that quota to encourage him to transfer it with the land. This would ensure that it passes to the younger farmer rather than going on to the open market and being purchased by someone who is already established.

The final aid package should be attractive and in a form which will minimize taxation and other hurdles. Lump sums would be less acceptable than annual payments over the duration of the scheme if they are index-linked. However, if there is no provision for index-linking the annual payments, the former may be the best option, though the choice should be open to the successful applicant. Payment should be made for a pre-determined minimum period; the level of aid should not be means-tested; spouses or farm income should not be taken into consideration in determining the level of aid paid; and the proceeds from the sale of stock and machinery should be retained by the transferor and assessed for tax purposes separately from any aid received. Quotas could be treated in the same way. Once the transferor becomes eligible for his old age pension, consideration should be taken of any retirement aid that he is currently receiving before determining the level of state pension. However, personal pension payments should not be taken into account because those have been provided for through his working life.

The Young Farmers' Clubs of Ulster agree with the Ulster Farmers' Union in commending to the Government the introduction of an early retirement scheme. We see it as a major contributing factor in improving the structure of Northern Ireland's agriculture; contributing to the sustaining of the rural economy by keeping units viable; and improving the prospects for younger farmers. It would ultimately assist the agriculture industry to reposition itself to meet the challenges and changes of the European Union and, in particular, the Agenda 2000 proposals.

Mr Poots: You concentrated on the early retirement scheme. Do you agree that what inhibits most young people from coming home to the farms is low income?

Mr Martin: Currently, that is the case. In the last twelve months we have seen a fall in agricultural incomes of nearly 40%, and many existing farms may become unviable because of exchange rates and green pound valuations. So I agree that there is a difficulty in the industry, and this is just one factor that would help the industry to restructure in the longer term and make it easier for younger people to enter it.

Mr Murray: Mr Poots is right — profitability is a big problem, but it would be further exacerbated by young farmers having to spend large sums on capital expenditure to get into the business. We want to point out that by reducing the need for capital expenditure you are getting rid of or minimizing one cost.

Mr Poots: This is not something that has happened over the last 12 months. The trend of young people drifting away from farming goes back for a number of years. It has been exacerbated by the events of the last 12 months.

You mentioned the early retirement scheme in the South. You said that over 6000 have taken up that scheme. Have you a corresponding figure for new farmers coming on to the land? Has it really increased the size and viability of farms but not increased the number of young people coming home to the land?

Mr Martin: We understand that the average farm has increased in size by about 44 acres. That is equivalent to about two thirds of the average farm size, so you can see that there has been a major restructuring in the size of farms, and this has enabled farmers to become more viable and spread their fixed costs. We do not have a figure for the total number of young people coming into the industry. In the Republic of Ireland eligible transferees must be farmers who are already established in the industry. That means young people with perhaps a small parcel of land and an agricultural education who are looking to increase the size of their holding. It is really intended to make farms more viable.

The Chairman: On that point my information is that 75% or more of the transferees in the Republic are under 35, so it is clearly benefiting the younger farmers.

Mr Shannon: We held public meetings all round the country and the one big issue that was raised at every meeting was the farm retirement scheme — there are many out there who would like to participate in and take advantage of such a scheme. It does not have to be a scheme similar to the one down South. It could be one for the LFAs, for instance, or one that could be brought in with rural development or something. Did you look at those sorts of options?

Mr Martin The retirement scheme cannot be treated in isolation. It has to be part of the whole integral means of support. Current European Union legislation provides for other support measures. In some of the other member states there are cheap forms of finance to younger farmers and also the allocation of quotas and production rights which we do not have here currently. We have to look very much at the broad picture, and while an early retirement scheme is one element of that, we cannot depend solely upon that.

Mr Shannon: Is there a trend of farmers' sons leaving the farms and going to work? Is that something that you have seen through the Young Farmers' Club? Do you have a figure on it?

Mr Martin: I do not have a figure available, but, certainly, from our local area, I can list half a dozen people who have left farming in the last 12 to 18 months.

Mr Murray: If you look at the college throughput it suggests that more and more of the agricultural granduands and graduates are not going home to farm. Those figures become quite clear when you see the number of people who were at college with us who are now out working as well rather than being home on the farm. They may have an active interest in the farm, but they are not taking their income from that farm.

Mr Shannon: You mentioned that the early-retirement scheme should be part of the overall picture of farming. On a scale of 10 points, where would you put an early retirement scheme in importance to farming as a whole?

Mr Martin: That is a hard question. First and foremost, you have to have a viable agricultural industry — that has to come before anything really. Without a profitable farm industry, no matter what schemes are introduced, you are not going to encourage people to come home to farm. They will vote with their feet. They can see the incomes and the conditions of work that the people they went to school with have and they will opt to leave the agricultural industry if they do not feel that they are going to be suitably rewarded. Young people now are much better educated, much better informed, and they know that there are other options. They are going to take the long-term view and look elsewhere for a career.

Mr Shannon: The point I am trying to make is that the early-retirement scheme is crucial to the future of farming.

Mr Martin: Yes, I would see that to be the case, but there needs to be restructuring. There are confusing signals coming from the Government at the present time. On the one hand they are saying that there should be restructuring of the agricultural industry but on the other hand, in the Agenda 2000 proposals, they are saying that there should be modulation which will discriminate against larger units. So there are conflicting opinions and that is sending confusing signals to young people. They want an industry that is going to be stable and has a long-term future. An early retirement scheme will help ease them into the industry, but we have to have a viable, profitable industry to keep them there.

Mr Shannon: Are your proposals similar to the Ulster Farmers' Union proposals? Do you have any major differences?

Mr Martin: They are broadly similar although we would see it from a different perspective, as I am sure you will appreciate. Our members are generally young people who are coming home to farm, whereas the Farmers' Union members are people who are already established and have quite a number of years of experience in the farming business.

There are two parties in a farm retirement scheme — the people who are retiring and the new entrants — so there has to be mutual agreement throughout the industry. The legislation does allow for flexibility and for Governments to consult with industry organizations to come up with the best scheme possible. We hope that all submissions will be treated equally.

Mr Shannon: Dr Cunningham has said that he is prepared to look at a farm- retirement scheme. Are you aware of any of the ideas that the Government might have? Have you heard anything?

Mr Martin: There have been a number of suggestions coming forward — they are probably asking more questions than they are answering, such as should it be on a regional basis perhaps for LFAs, or should it be specifically for beef and sheep farmers. We are making the case that it should be available right across the agricultural industry. They have put out a few feelers and a lot of people have their own points of view on a retirement scheme and are going to make submissions. At this stage they are only drafting proposals.

Mr Shannon: What is achievable, in your opinion?

Mr Martin: I do not think that we should accept anything less than what has been made available in other member states. There is talk at the present time of the removal of Objective 1 status for Northern Ireland and the implications that that may have for the funding of such a scheme. If a scheme were introduced it would be to everybody's advantage, the Government and industry, that it be implemented sooner rather than later.

Mr Poots: Have you any concerns that maybe what Jack Cunningham is after is to take people out of farming rather than to bring young people into it, that when he suggested the early-retirement scheme it was to do away with beef farmers, and that it was not going to be done on the basis of encouraging young people to come into farming but to get rid of a lot of them?

Mr Martin: You are probably right in what you are saying. That was the basis on which he has come to this consultation. He sees it as a way of reducing the number of farmers. But I think that we have to take the long-term view. We have argued over quite a number of years, and the European organization for young farmers has argued at Commission level, that there should be an early-retirement scheme right across Europe. The Government have seen that there is an opportunity, whether it is based on forcing people out of the industry or attracting new members. We have new farmers, and we have to accept the conditions that we find ourselves in and try to make best advantage of that. It is important, if there is to be a retirement scheme, to try to make it suit the entrance of young people if possible.

Mr Poots: Are there many young people on farms currently opting for diversification? They are maybe doing a bit of work in the morning and in the evening on the farms and doing something else during the middle of the day.

Mr Murray: That would be a very fair assumption. An increasing proportion of young people who are in farming at the minute are introducing new sub-enterprises — for example, poultry, a bit of farm contracting, farm relief services — to supplement their own income without depleting the family income on the farm. They are being aggressive in that they are going out and looking for alternative sources of income. It is not as though they are sitting there with their hands out waiting to see if someone is going to give them something.

Mr Graham: That is more apparent in the west of the province due to the smaller farm structures. I have worked in the west of the province for 15 years in agricultural education and I have seen the number of people going into that.

Mr McCarthy: What is the attitude of the farmers you are trying to encourage to retire? Most people have no notion of retiring at the age of 55. You read out a list of criteria. I do not know that people over 55 would be anxious to go along with all of those, or even half of them.

Mr Martin: Certainly, if you look at the success of the scheme in other member states where similar criteria have been applied, that probably justifies the measures that have been used. I do not see that it would be any different here. We have to have a cut-off point. It is not specifically aimed at people of 55 or 56. A large proportion of the people who may take up such a scheme could be in their late sixties, or perhaps even older.

Mr Murray: The viability of the unit that they are running would play a very big part in their decision-making. Some figures are grossly inflated because of the effect of the green pound on exchange rates, but if we take a figure of £9,300, I put it to you that a big proportion of those farmers are not earning that already. Also, they can still, for want of a better term, continue farming that one hectare, as long as it is not for commercial use.

Mr McCarthy: What I am saying is that they have got to sign over what has been theirs at that age. Is that realistic? Does that happen in other areas?

Mr Martin: That is what has happened in the Republic of Ireland. Are they going to continue running a small unit that they can get only a very limited income from whenever they may have the option of passing this on and obtaining some other financial income? We have to accept that there is probably a tradition in Northern Ireland that people hold on to what they have until they drop.

Mr McCarthy: Exactly. What I am trying to say is that that is a mind-set we all know is there.

Mr Martin: But I think that conditions, as Mr Murray has said, are going to drive people to act realistically.

Mr Murray: It is easier for that transition to take place if it is to a family member as well.

Mr Poots: Are the young farmers aware that there may be a legal problem? We operate on a system of conacre here, and it has been raised with us that there may be legal problems and that farmers could actually lose claim to title of the land if they lease it out. Have you any knowledge of that?

Mr Murray: I thought that you could enter into a contractual arrangement in which land could be leased for a period of years without ownership, but I stand to be corrected on that.

The Chairman: If it is leased continuously for more than five years, the tenant has certain rights under the law.

Mr Murray: I know that there are implications for certain assets such as milk quotas between land, lease and conacre. Maybe that was where that came from.

The Chairman: Have you any general comments on agricultural education in the province? What are your views on that?

Mr Graham: The education that is offered at the minute covers the broad spectrum. It has altered a lot over the last three years. There is probably a need to modify the degree that is on offer in Northern Ireland. Quite a lot of young farmers go across the water to seek a more practical degree. I know that that is on course probably for this autumn. With that modification, the education offered will be very good.

Mr Murray: It is extremely flexible, as I am sure you are aware. They can tailor packages very quickly to given needs.

Mr Graham: An important development that has taken place over the last 18 months has been the introduction of refresher courses. It was assumed in the past that once you were educated that was it for life. In a fast moving industry that is not the case.

The Chairman: May I, on behalf of the Committee, thank you very much indeed. Just for general interest maybe you could let us know how the young farmers are doing at the moment in terms of the organization.

Mr Murray: We are moving into a very new stage. I have just taken over. It is not that things need to be changed but it is the inherent nature of things that somebody going in does things a different way. There is a buzz and an excitement among members at the minute. We had a very, very successful venture a fortnight or so ago and that has given agriculture a real boost as well as the young farmers. People came away from that event feeling very good about themselves and about their abilities, and we want to build on that.

We are acutely aware that an increasing number of our members are not going home to farm, but we are targeting too what I call the sub-rural, rather than the suburban, community — the people who have moved back into the rural community, maybe one or two generations removed from farming, and who have not got into the rural community infrastructure as comfortably as perhaps preceding generations did. We are trying to build up that community and attract people from that age group into it. There is a lot of work going on at the minute, and we are planning a few campaigns and a membership promotion for the new season starting in September.

The Chairman: Well, I wish you all the best. Thank you all for taking the time to come here.

WRITTEN EVIDENCE

- Agenda 2000
- Early Retirement
- Education and Training
- Planning

WRITTEN EVIDENCE

AGENDA 2000

Ulster Farmers' Union

- Paper March 1998
- Letter 17 December 1997

Ministry of Agriculture, Fisheries and Food

- Letter dated 11 December 1997

Department of Agriculture for Northern Ireland

- Letter dated 30 October 1997

Craigavon Rural Development

- Submission dated 6 October 1997

Mr L Christie, Meenaghill, Bready, Strabane

- Letter dated 29 September 1997

European Commission

- Agenda 2000 Summary 16 July 1997

WRITTEN EVIDENCE

EARLY RETIREMENT

Department of Agriculture for Northern Ireland

- Consultation Document - 18 March 1998

Standing Committee D

- Letter to CAPITA dated 21 November 1997

CAPITA

- Letter dated 12 November 1997
- Presentation to Committee 13 October 1997

Northern Ireland Agricultural Producers' Association

- Paper - undated

Department of Agriculture for Northern Ireland

- Letter dated 27 October 1997

European Commission

- Report - 4 September 1996
- Council Regulation No 2079/92 - 30 June 1997

Department of Agriculture and Food - Dublin

- Paper - undated

WRITTEN EVIDENCE

EARLY RETIREMENT
(Cont'd)

Ulster Farmers' Union

- Proposal - July 1996
- Letter dated 11 September 1997

NFU Wales

- Letter dated 25 July 1997

NFU England

- Letter dated 7 August 1997

NFU Scotland

- Letter dated 6 August 1997

WRITTEN EVIDENCE

EDUCATION AND TRAINING

Department of Agriculture for Northern Ireland

- Paper - Work of Colleges to encourage young people to come into or stay in the industry

- DANI Colleges - Course Provision

  - Total Number of Students Enrolled
  - Students Enrolled

- DANI Colleges - Course Provision

  - Greenmount
  - Enniskillen
  - Loughry

WRITTEN EVIDENCE

PLANNING

The Planning Service

- Paper - The Planning System in Northern Ireland, November 1997

- Extract - A Planning Strategy for Rural Northern Ireland

- Letter dated 12 February 1997