

# **Current Support Regime for the Agricultural Industry in Northern Ireland**

## **Historic support regime for the agriculture industry in Northern Ireland**

Since the UK joined the then EEC in 1973, Common Agricultural Policy (CAP) farm support payments have been of major importance in sustaining the industry in Northern Ireland underpinning its competitive trading position and ensuring affordable food for consumers. In the early years, support included tariffs to restrict competition from outside the EU and exports subsidies to support competitiveness of agricultural produce on world markets, quota systems and intervention actions to maintain product prices.

CAP policy has evolved since then with price supports and tariffs eased and coupled support measures for farmers introduced in the 1990's. Further significant reform was introduced in 2005 when coupled support payments were largely replaced by Area based Direct Payments (known as the Single Farm Payment or SFP) paid on each hectare of eligible land (decoupled from production or any particular activity). Direct Payments were paid under Pillar 1 of the CAP (Pillar 2 was dedicated to rural development measures). Farmers were awarded entitlements to claim this support, the value of which was linked to their historical levels of production. Certain environmental/welfare standards (cross compliance) were established that had to be followed to qualify for payment.

The 2013 CAP reforms (implemented from 2015) sought an end to the ongoing variation in SFP entitlement values, primarily due to the time that had lapsed since those entitlement reference values were set. Under this new support regime known as the "Basic Payment Scheme (BPS)" the unit value of entitlements allocated to farmers in 2015 were programmed to move towards a flat rate<sup>1</sup> in equal annual steps (known as convergence towards a flat rate) from 2015.

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<sup>1</sup> 'Flat rate' means that all hectares of land in a region would attract the same level of support, instead of the previous system where many different entitlement rates (€/ha) existed within the Single Farm Payment Scheme. The average value of the BPS in Northern Ireland in 2015 was estimated to be €325 per ha.

The 2013 CAP Reform also introduced a greater focus on environmental returns for support (Greening) and measures to encourage generational renewal in the sector (Young Farmers Scheme).

### **Current support regime for the agriculture industry in Northern Ireland**

Since 2015 CAP Pillar 1 Direct Payments to farmers in Northern Ireland have been made via a package of measures:

- Basic Payment Scheme (BPS);
- Greening Payment;
- Young Farmers Payment;
- Regional Reserve; and
- Pilot Protein Crop Scheme.

Total funding for this package of measures was set in euros (€327m per annum) and converted to sterling using an annually set exchange rate. Since the UK Exit from the EU the budget for these payments in Northern Ireland has been set by UK Treasury.

### **Basic Payment Scheme (BPS)**

The Basic Payment Scheme paid out just over £200m to approximately 24,000 eligible farmers in 2020. Payment entitlements form the basis of the BPS and are what farmers use to get paid BPS each year. The payment that individual farmers receive is based on the amount of eligible land they actively farm and the corresponding number and value of entitlements they hold for that scheme year.

### **Greening Payment**

Northern Ireland Farmers received nearly £88m in greening payments in 2020. Since 2015 all farmers applying for payment under the BPS had to comply with environmental requirements (greening) on all the eligible agricultural land on their holding. In return, they received a Greening Payment calculated as a percentage of the total value of the BPS payment entitlements they activated each year. For any given scheme year, the percentage was calculated by dividing the total budget available for Greening by the total value of all payment entitlements activated in Northern Ireland in that year. The percentage was approximately 45% per annum.

A review of greening in 2020 found strong evidence that the Greening requirements had very limited relevance to Northern Ireland and added significant complications to the administration of the direct agricultural support payments for both applicants and those administering the scheme. On this basis the DAERA Minister agreed that from the 2021 scheme year the Greening requirements would be removed and the greening payment incorporated into BPS entitlement unit values.

### **Young Farmers' Payment**

Around 3,000 young farmers received nearly £4million via the Young Farmers scheme in 2020. The Young Farmers' Payment (YFP) provides an annual top-up to the BPS to those farmers who meet its eligibility requirements. The level of the top-up is based on 25% of the total direct payments regional average per hectare. The top-up payment is limited to 90 hectares. The rate can vary between years depending on the number of young farmers claiming the payment. The maximum period that payment under this scheme can be made is 5 years. A key eligibility criteria of the scheme is that an applicant must hold at least a Level 2<sup>2</sup> qualification in agriculture (or a related subject containing at least a farm business management module).

### **Regional Reserve**

EU rules required all EU Member States to set up National or Regional Reserves (RRs) to help farmers in certain situations. This enabled DAERA to allocate entitlements or to top up existing entitlements to the 'regional average value of entitlements' for certain categories of farmers. It is used to allocate payment entitlements to young farmers and/or new entrants, to make awards to farmers who were prevented from being allocated entitlements as a result of force majeure or exceptional circumstances and farmers eligible for revised entitlements following a court ruling or administrative act by DAERA.

### **Pilot Protein Crops Scheme**

Protein crop production (peas, beans and sweet lupins) has traditionally been very limited in Northern Ireland. These crops are grown primarily to provide a break in cereal crop rotations which can have the effect of reducing soil borne cereal disease

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<sup>2</sup> Level 2 is equivalent to GCSE Grade A\*-C.

burdens and increasing soil nitrogen levels. Northern Ireland is currently almost totally dependent on imported soya and other proteins in the manufacture of animal feed. In 2019, the use of soya alone in feedstuffs manufacture was 369,000 tonnes and adding other high protein animal feeds brings this total to over half a million tonnes.

The Department, therefore, introduced a Pilot Protein Crops Scheme in 2021. This coupled support scheme is aimed at addressing Northern Ireland's continued dependence on imported plant protein by creating a domestically produced source of protein for animal feed. It also provides agronomic benefits within arable rotations. For the scheme, eligible protein crops are spring peas, spring field beans, winter field beans, spring sweet lupins and winter sweet lupins.

The scheme is currently operating on a pilot basis for scheme years 2021 and 2022, with the possibility that the approach will be refined for subsequent years to maximise the economic and environmental benefits. In its first year of operation, the Scheme delivered payments of approximately £209,000 and the number of farmers in Northern Ireland growing Protein Crops almost tripled.

### **Cross-Compliance**

The Cross-Compliance requirements are designed to promote sustainable agricultural practices and reflect a number of environmental and other objectives. They are good farm management practices and encourage responsible stewardship of land.

In return for Direct Payments applicants must meet the requirements of a number of Statutory Management Requirements (SMRs) and keep their land in Good Agricultural and Environmental Condition (GAECs). SMRs cover the environment, climate change, public health, animal health and plant health and animal welfare. GAECs cover protection and management of water, protection of soil and carbon stock and minimum level of maintenance with regard to retention of landscape features and avoiding the deterioration of habitats.