

Future Agricultural Policy Framework Portfolio for Northern Ireland

August 2021



Sustainability at the heart of a living, working, active landscape valued by everyone.



Department of
**Agriculture, Environment
and Rural Affairs**

www.daera-ni.gov.uk



**INVESTORS
IN PEOPLE**

Contents

Minister's Foreword	3
Part 1 Introduction	5
Part 2 Background	6
2.1 EU farming support	8
2.2 Future Agricultural Support Plans in England, Wales, Scotland and Republic of Ireland (EU)	9
Part 3 Strategic Context	13
3.1 Programme for Government	14
3.2 10X Economy - An Economic Vision	14
3.3 DAERA Strategic Plan	15
3.4 Green Growth Strategy	15
3.5 Financial context	16
3.6 State Aid/Subsidy Control	16
3.7 Legislation	16
Part 4 Future Agriculture Policy Framework	17
4.1 Key Outcome 1 - Increased Productivity	20
4.1.1 Science and Innovation	21
4.1.2 Agricultural Education and Knowledge Exchange	21
4.1.3 Continuous Professional Development	22
4.1.4 Investment and Restructuring	23
4.1.5 Stakeholder views	23
4.2 Key Outcome 2 - Environmental Sustainability	24
4.2.1 Stakeholder views	26
4.3 Key Outcome 3 - Improved Resilience	27
4.3.1 Resilience Measure	27
4.3.2 Crisis Response	28
4.3.3 Stakeholder views	28
4.4 Key Outcome 4 - Supply Chain Functionality	29
4.4.1 Supply of information	29
4.4.2 Education and Knowledge Transfer	29
4.4.3 Incentivisation	29
4.4.4 Regulation	30
4.4.5 Stakeholder views	30
Part 5 Future Agricultural Policy Framework Portfolio	31
5.1 Future portfolio	32
5.2 Assessment of Equality and Rural Needs Obligations	36
5.3 Concluding Remarks and Next Steps	36
Annex 1 Current support regime for the agriculture industry in Northern Ireland	37

“Sustainability at the heart of a living, working,
active landscape valued by everyone.”



Minister's Foreword



I have great pleasure in publishing this Future Agricultural Policy Framework Portfolio for Northern Ireland. It seeks to chart a way forward now that we have exited the EU to a future agricultural policy which better meets the needs of Northern Ireland.

CAP payments have been of vital importance in sustaining the industry in Northern Ireland and underpinning its competitive trading position. This support must continue now that we have left the EU, but we have the opportunity to target that support to meeting our local priorities and needs much more effectively. Expectations being placed on farmers are increasing and we must ensure that the public goods provided by farmers are adequately rewarded.

Our future agricultural regime must promote productive, efficient practices through greater innovation and professional capacity, whilst protecting the environment, animal health and welfare, and public health. Consumers will continue to demand high environmental, animal welfare and food safety and integrity standards, with an increased focus on transparency, traceability and provenance along the food chain.

Future agricultural policy must allow our farmers to have the best possible tools and support, enabling adaptation to take advantage of future opportunities. It is vital that it embraces a greater transfer of knowledge, investment in science and technology and encourages the uptake of research and development that can deliver sustainable benefits to the industry and the people of Northern Ireland.

All stakeholders with an interest in food production and land use must be involved in the co-development and design of new measures and interventions. This will ensure that measures will boost efficiency and resilience whilst supporting a decrease in the agri-food industry's environmental footprint, allowing for increased availability of land to enhance our natural assets and address climate change. Our food producers should have confidence in their future whilst delivering multiple public benefits.

A healthy and resilient natural world underpins economic prosperity and I will seek the co-operation of others to work with us to develop future policies which maximise the benefits to people who live and work here. I want sustainability to be at the heart of everything we do in DAERA, taking a partnership approach with business and communities, supporting them to look after the environment and to be its custodian for future generations.

Moving forward, we must join up our environmental ambitions with farm economic activity. We need to invest time, money and effort in recreating and refining our support schemes and tools.

Business as usual for many farms will not be an option; the future is about delivering both food and environmental outcomes in a sustainable way.

My ultimate aim is to ensure that Northern Ireland takes full advantage of the opportunity to develop a sustainable agricultural industry in which all farmers are supported on an equitable basis to make best use of the assets at their disposal, and to invest in all forms of capital - physical, environmental and human. This will be underpinned by a set of bespoke measures that will ensure the delivery of profitable, productive, environmentally sustainable, resilient and supply chain focused outcomes tailored for Northern Ireland.

As we move forward, I look forward to engaging with you on the development of these measures.

A handwritten signature in black ink, appearing to read 'Edwin Poots', with a stylized flourish at the end.

Edwin Poots MLA

Minister of Agriculture, Environment and Rural Affairs

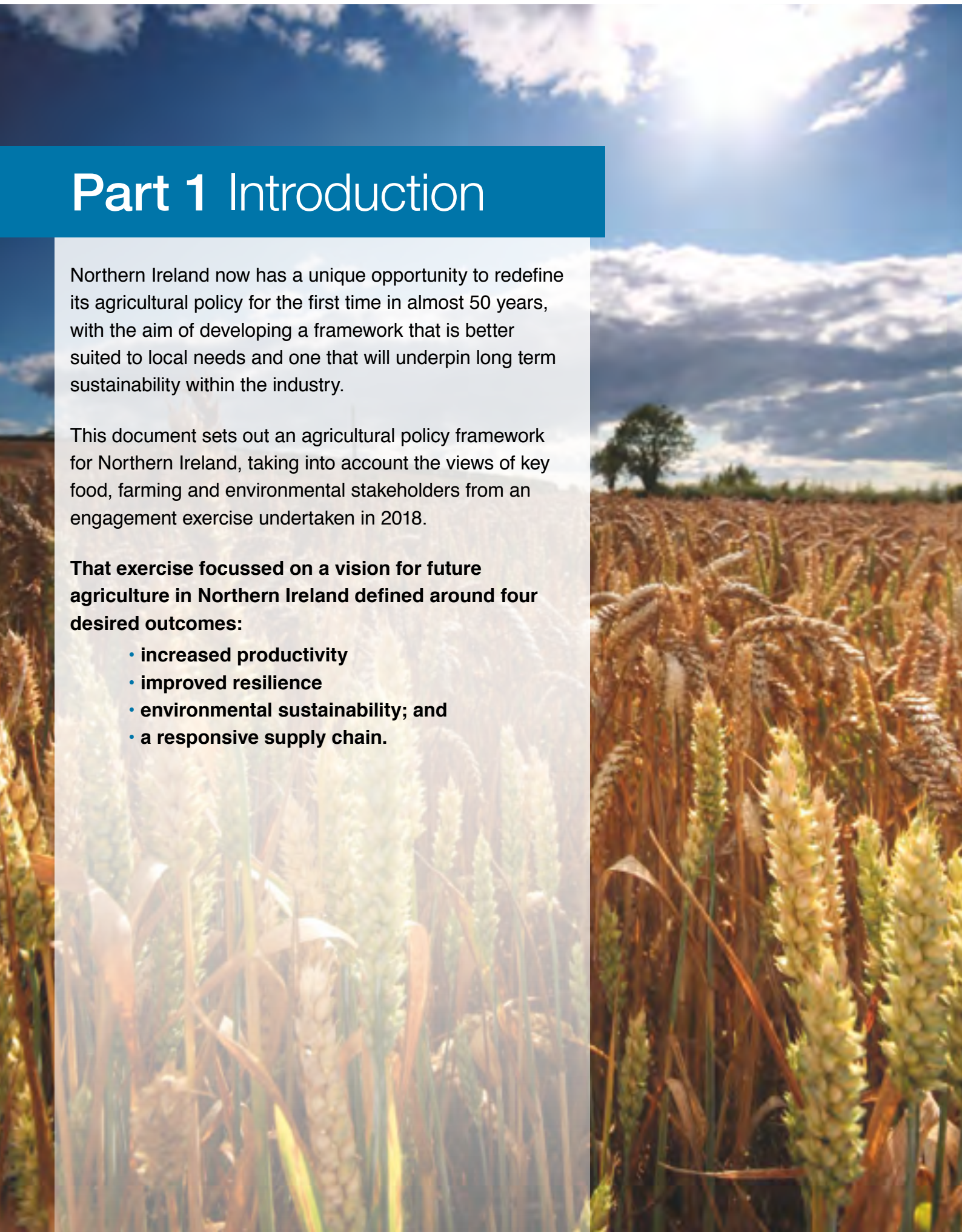
Part 1 Introduction

Northern Ireland now has a unique opportunity to redefine its agricultural policy for the first time in almost 50 years, with the aim of developing a framework that is better suited to local needs and one that will underpin long term sustainability within the industry.

This document sets out an agricultural policy framework for Northern Ireland, taking into account the views of key food, farming and environmental stakeholders from an engagement exercise undertaken in 2018.

That exercise focussed on a vision for future agriculture in Northern Ireland defined around four desired outcomes:

- **increased productivity**
- **improved resilience**
- **environmental sustainability; and**
- **a responsive supply chain.**



Part 2 Background



Part 2 Background

The agri-food sector (comprising the agricultural industry and the food and drinks processing sector) plays a significant role in the economy of Northern Ireland.

The value of gross output from the agricultural industry in 2020 was £2.2 billion¹. This generated a gross value added (GVA) of £673 million. The latest available information shows that in 2019, the value of gross turnover from the food and drinks processing industry was estimated to be £5.4 billion and the total value added from food and drinks processing was £998 million². Therefore, taken together, the farming and processing industries are contributing £1.7 billion per annum of value added to the Northern Ireland economy, which represents around 3.5% of its total GVA. The agri-food sector also accounts for approximately 4.6% of total employment in Northern Ireland³.

Agriculture in Northern Ireland is largely based on the conversion of home grown grass and mainly imported cereal grains and crop by-products into milk, meat and eggs. Livestock enterprises produce on an annual basis some 2,300 million litres of milk and on a liveweight basis, 274 ktonnes of beef, 41 ktonnes of sheep meat, 152 ktonnes of pig meat and 328 ktonnes of poultry meat. Cereals (177 ktonnes) are produced for livestock systems, along with 260 ktonnes of fruit/vegetables for retail markets. The total output on a calorific basis, is capable of supporting the dietary needs of a population of 10 million people.

The actions of many generations of farmers and growers have shaped our natural environment and the biodiversity that it supports. The health of this environment that is passed to future generations will be critically influenced by the choices that we make now. We need to ensure that excess nutrients do not seep into our waterways, that ammonia emissions are reduced to restore the health of vulnerable habitats, that agriculture plays its fair share in our journey to net zero carbon and that biodiversity loss is halted and reversed. With appropriately designed policy interventions and innovation, all of this can be achieved without compromising the economic viability of the sector.

Over the coming decades, the agri-food industry is facing many significant developments, such as changing international markets, consumer demand, technological advances and on a global scale from the impact of changes to our climate. This will bring a number of challenges, but it also presents significant opportunities for Northern Ireland, which through collaborative working can be developed to ensure the farming sector is sustainable, resilient, productive and profitable. Failure to take advantage of such opportunities, which will also be available to competitors, will undermine the viability of the Northern Ireland agriculture sector.

1 <https://www.daera-ni.gov.uk/publications/statistical-review-ni-agriculture-2007-onward>

2 <https://www.daera-ni.gov.uk/publications/size-and-performance-ni-food-and-drinks-processing-sector>

3 <https://www.daera-ni.gov.uk/publications/key-statistics-2007-onward>

We know that economic development must not come at the cost of environmental degradation. The UK Government has set a target that the UK will be carbon neutral by 2050, and whilst we do not yet have a target in legislation for Northern Ireland, it will come and agriculture will need to play its fair part in meeting that obligation.

2.1 EU farming support

Pillar 1 of the EU Common Agricultural Policy (CAP) provided approximately €327 million per annum of direct support to Northern Ireland farmers. All of this has been paid out as decoupled support on a per hectare basis. However, while this support was not linked to current production, it, nevertheless, had a very significant influence on the economic viability of the industry and its competitive position relative to that in other regions (especially where there were no barriers to trade). For example, over the last five years, direct CAP support (Pillar 1) amounting to £1.3 billion has accounted for 87% of the cumulative total income⁴ of the Northern Ireland agricultural industry. In two of these years, the industry as a whole would have been in a loss-making position without this support. This illustrates the importance in recent years of these payments in sustaining the industry and underpinning its competitive trading position. However, it equally highlights a highly vulnerable position, and long term viability must be secured by taking steps to reduce over time the extent to which the industry has to continue to rely on this level of government income support.

Further measures are delivered under the CAP for a range of rural development schemes which assist farm businesses (this was under Pillar 2, the Northern Ireland Rural Development Programme). Over the same five year period, farmer-facing rural development measures have delivered just over £200 million of EU funding and associated national monies to improve both economic and environmental performance⁵.

A third relevant component that CAP provided was a range of market related measures which sought to provide a level of stabilisation in the event of market disturbances, as well as delivering the more effective operation of the market.

Further information on the support regime for the agricultural industry over recent years is presented at **Annex 1**.

⁴ <https://www.daera-ni.gov.uk/publications/statistical-review-ni-agriculture-2007-onward>

⁵ The total value of the approved Northern Ireland Rural Development programme 2014-20 is £623m. This includes some non-farm based measures, notably support for rural communities under Leader, support for afforestation and capital support for food processing investment.

2.2 Future Agricultural Support Plans in England, Wales, Scotland and Republic of Ireland (EU)

Agricultural support policy is a fully devolved matter, with each of the UK regions free to adopt an approach in keeping with its individual needs and priorities (subject to any overarching obligations relating to the operation of the UK internal market⁶, the emerging UK subsidy control regime⁷ and, in the case of Northern Ireland, the EU agricultural State Aid carve out that has been secured under the Northern Ireland Protocol⁸).

England

Defra has published its “*Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024*”⁹ which outlines a managed transition from existing Direct Payments to a new policy framework over 7 years, with the last Direct Payments programmed to be made in 2027. Direct Payments will be gradually replaced by:

- an Environmental Land Management approach to agri-environment schemes, with pilots and tests from 2021-2024;
- early roll out of some core elements (tiers) such as the Sustainable Farming Incentive, from 2022;
- establishment of an Animal Health and Welfare Pathway;
- grant support to help farmers maintain and improve productivity and invest in research, development and sustainability through the transition;
- a new, more effective and trust-based approach to replace EU Scheme regulation and enforcement;
- provision of advice and guidance to farmers to help them make the best decisions for their circumstances;
- help through the transition, including with business planning, training and advice; and
- helping farmers who wish to leave the sector with an exit scheme.

⁶ <https://www.legislation.gov.uk/ukpga/2020/27/contents/enacted>

⁷ <https://www.gov.uk/government/collections/subsidy-control-bill>

⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/949845/Decision_of_the_Withdrawal_Agreement_Joint_Committee_on_agricultural_subsidies.pdf

⁹ <https://www.gov.uk/government/publications/agricultural-transition-plan-2021-to-2024>

Defra describes this change as “an evolution, rather than a revolution” and that the new approaches described will improve and develop over time. The seven year transition plan recognises that there is a need to help farmers manage their businesses through the transition.

Wales

The Welsh Government has published a White Paper outlining its proposed approach to future agriculture support and has responded to the consultation here: [Written Statement: Agriculture \(Wales\) White Paper - Summary of Responses and Welsh Government Policy Response \(21 September 2021\) | GOV.WALES](#)

The proposed Sustainable Farming Scheme will be different to the current Basic Payment Scheme. The fundamental change will be that the level of payment will be linked to the actions which an active farmer undertakes. The scheme will launch in 2025. In the interim the Welsh Government is proposing to continue with direct payments until at least the end of 2023 and will consult on the transition plan to the Sustainable Farming Scheme. There will be no cliff edge in funding. An Agriculture Bill will be introduced to the Senedd in 2022 and an outline of the Sustainable Farming Scheme will be published alongside this. The Welsh Government will work with farmers on these proposals to co-design the final scheme which will be consulted on in 2023.

Scotland

The Scottish Government has set out an approach to provide Scottish farmers, crofters, foresters, rural businesses and rural communities a transition period to provide as much stability and security as possible following the UK’s departure from the EU which is additionally important in the wake of COVID-19.

Its “*Stability and Simplicity*”¹⁰ paper was published in June 2018 outlining proposals for a five year transition period for farming and rural support in the event of Brexit. This consultation proposed that the majority of CAP schemes would continue but could be subject to simplification and improvements. New agriculture support schemes could then be implemented from 2024.

In summary, each of the nations in GB are planning a managed transition to new agricultural policy frameworks. Direct Payments will continue to be paid through the transitional period, with differences arising only around the pace and depth of change. Funding released by reducing Direct Payments will be reallocated to new support measures so that, at an industry level, the value of support will be maintained, but targeted in a different way.

¹⁰ <https://www.gov.scot/news/stability-certainty-and-simplicity-in-rural-support/>

Republic of Ireland/European Union

The EU Commission¹¹ has published legislative proposals for the future of the CAP 2021 -2027. Whilst the detail of the proposals is still being finalised, basic payments will continue to be based on the farm's size in hectares. There will be a focus on supporting small and medium-sized farms and encouraging young farmers to join the profession.

Proposals include:

- a higher level of support per hectare for small and medium-sized farms;
- a reduction in the level of direct payments received above €60,000 per farm and an overall limit of €100,000 per farm, with a view to ensuring a fairer distribution of payments;
- a minimum of 2% of direct support payments allocated to each EU country set aside for young farmers, complemented by financial support under rural development and measures facilitating access to land and land transfers; and
- EU countries having to ensure that only genuine farmers receive support.

The EU Commission's proposals aim to foster a sustainable and competitive agricultural sector that can contribute significantly to the European Green Deal¹², especially with regard to the farm to fork strategy and biodiversity strategy. In particular, the proposals focus on:

- securing a fair deal and a stable economic future for farmers;
- setting higher ambitions for environmental and climate action; and
- safeguarding agriculture's position at the heart of Europe's society.

A Transitional Regulation¹³ has been agreed for the years 2021 and 2022. This will extend most of the CAP rules that were in place during the 2014-20 period, while also including new elements to encompass stronger green ambitions and ensuring a smooth transition to the future CAP framework, as set out in the Commission's proposals.

The Department of Agriculture, Food and the Marine has recently published its Food Vision 2030 Strategy¹⁴ which is a ten year strategy for the Irish agri-food sector. Its Vision is that Ireland will become a world leader in Sustainable Food Systems over the next decade.

¹¹ https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap_en

¹² https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

¹³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R2220>

¹⁴ <https://www.gov.ie/en/publication/c73a3-food-vision-2030-a-world-leader-in-sustainable-food-systems/>

By adopting an integrated food systems approach, Ireland will seek to become a global leader of innovation for sustainable food and agriculture systems, producing safe, nutritious, and high-value food that tastes great, while protecting and enhancing its natural and cultural resources and contributing to vibrant rural and coastal communities and the national economy.

The Strategy consists of 22 Goals, grouped into four high-level Missions for the sector to work toward:

- A Climate Smart, Environmentally Sustainable Agri-Food Sector;
- Viable and Resilient Primary Producers with Enhanced Well-Being;
- Food Which is Safe, Nutritious And Appealing, Trusted And Valued at Home and Abroad; and
- An Innovative, Competitive and Resilient Agri-Food Sector, Driven by Technology and Talent.

Part 3 Strategic Context



Part 3 Strategic Context

3.1 Programme for Government

The Northern Ireland Executive is currently developing a new strategic, outcomes-based Programme for Government (PfG). Public consultation on the draft Framework¹⁵ closed on 22 March 2021 and responses are currently being considered. Two of the key outcomes in the draft PfG is an economy that is globally competitive, regionally balanced and carbon neutral; and that we live and work sustainably - protecting the environment.

Key priority areas have been identified as:

- Providing the tools under a future agricultural policy to increase productivity, enhance environmental sustainability, improve resilience and supply chain integration of the agri-food industry; and
- Protecting and enhancing biodiversity and the natural environment, supporting sustainable practices and resource use in the energy, agri-food, fishing and forestry sectors and ensuring human, animal and plant health.

3.2 10X Economy - An Economic Vision

In May 2021, the Department for the Economy launched its economic vision for the next 10 years, called 10x Economy¹⁶ - an economic vision for a decade of innovation. The concept embraces innovation to deliver a ten times (10X) better economy with benefits for all the people of Northern Ireland. Ten guiding principles have been identified to underpin this vision and a number of these are central to agriculture, such as delivering positive economic, environmental and societal outcomes; supporting a greener, sustainable economy; position Northern Ireland amongst the most competitive small advanced economies in the world; and focussing on increasing innovation in high value-added areas and priority clusters. “*Agri-Tech*” (the application of innovation and enabling technologies to build competitive advantage and transition to net zero across the primary and secondary processing sectors, including genomics, traceability of food, advanced packaging, plant and animal health specialisms, and the application of artificial intelligence to new agricultural methods) has been identified as one of the priority sectors. This reflects the need for increased productivity and profitability in the agriculture sector.

¹⁵ <https://www.northernireland.gov.uk/programme-government-pfg>

¹⁶ <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/10x-economy-ni-decade-innovation.pdf>

3.3 DAERA Strategic Plan

The Department of Agriculture, Environment and Rural Affairs Plan to 2050 - *Sustainability for the Future*¹⁷ published in May 2021 notes the following strategic priorities:

- To enhance our food, forestry, fishery and farming sectors using efficient and environmentally sustainable models which support economic growth;
- To protect and enhance our natural environment now and for future generations whilst advocating its value to and wellbeing for all;
- To champion thriving rural communities that contribute to prosperity and wellbeing; and
- To be an exemplar, people focused organisation, committed to making a difference for the people we serve.

Future agricultural policy has a significant role in delivering against these priorities and is underpinned by our purpose of *'Sustainability at the heart of a living, working, active landscape valued by everyone'*.

3.4 Green Growth Strategy

This Future Agricultural Policy Framework Portfolio has been developed as a Foundation Programme under the umbrella of the developing Green Growth Strategy for Northern Ireland. Green Growth is a globally recognised concept, with organisations like the Organisation for Economic Co-Operation and Development (OECD) developing a set of strategic tools to help governments embed green growth principles in their economic policies. Green Growth is about working together to value our environmental assets; growing those assets and in so doing, growing our economy.

In June 2020, the Department of Agriculture, Environment and Rural Affairs Minister announced his intention¹⁸ to bring forward a co-designed, environment strategy on behalf of the Executive. Titled "The Green Growth Strategy", it will be the 'route map' to ensure climate action, environmental improvement and sustainable economic and social growth. While that will obviously range much wider than the agricultural sector, agriculture will have a key role to play.

¹⁷ <https://www.daera-ni.gov.uk/sites/default/files/publications/daera/SUSTAINABILITY%20FOR%20THE%20FUTURE%20DAERA-A%E2%80%99S%20-%20PLAN%20TO%202050.PDF>

¹⁸ <http://www.daera-ni.gov.uk/news/poots-plans-green-growth-approach-ni>

3.5 Financial context

The Conservative manifesto¹⁹ stated that the current UK agricultural support budget to farmers will be maintained in cash terms every year of this Parliament (currently scheduled to continue until 2024).

3.6 State Aid/Subsidy Control

The maximum overall level of agricultural support is set at £382.2 million per annum and the minimum percentage of this that needs to comply with WTO Green Box classification is 83%. These will not be subject to the UK Subsidy Control Regime²⁰.

3.7 Legislation

Primary powers for future schemes in Northern Ireland are provided by the UK Agriculture Act 2000²¹, specifically Schedule 6. The operation of schemes will require affirmative statutory rules to be taken forward through the Northern Ireland Assembly.

¹⁹ https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf

²⁰ <https://publications.parliament.uk/pa/bills/cbill/58-02/0135/210135.pdf>, Part 3, Chapter 4 Section 48; Legacy and Withdrawal Agreement Subsidies.

²¹ <https://www.legislation.gov.uk/ukpga/2000/21/contents/enacted/data.htm>

Part 4 Future Agriculture Policy Framework



Part 4 Future Agricultural Policy Framework

In 2018 the Department, in conjunction with key food, farming and environmental stakeholders, identified four key desired outcomes that together constituted the long term vision for the Northern Ireland agricultural industry. DAERA undertook an engagement exercise on a draft framework²² setting out how policies could be developed to deliver these four outcomes. In total, there were 1,277 responses²³ to this engagement exercise, of which 67 were from organisations/representative groups and 1,210 were from individuals.

Reflecting the responses received during that process, DAERA has refined the identified outcomes and vision for the agricultural industry in Northern Ireland as follows.

1. An industry that pursues **increased productivity** in international terms as a means to sustained profitability, closing the productivity gap which has been opening up with other major suppliers.
2. An industry that is **environmentally sustainable** in terms of its impact on, and guardianship of, air and water quality, soil health and biodiversity, while making its fair contribution to achieving net zero carbon targets. This outcome is an integral part of the new Green Growth Strategy and associated Climate Action Plan which will be the Department's initial route map to climate action, green jobs and a clean environment.
3. An industry that displays **improved resilience** to external shocks (such as market and currency volatility, extreme weather events, etc.) which are ever more frequent and to which the industry has become very exposed.
4. An industry which operates within an integrated, profitable, efficient, sustainable, competitive and **responsive supply chain**, with clear transmission of market signals and an overriding focus on high quality food and the end consumer.

These outcomes are synergistic and improvement in one outcome can provide a positive effect on one or more of the other outcomes. For example, the reward of greater productivity is more efficient use of finite resources and a lower environmental footprint. Producing higher value products through product innovation can increase profit margins, resilience and environmental sustainability. In moving forward, care will be taken to avoid situations where gains in one of these areas is achieved at the expense of detrimental effects in others. If we get it right, the benefits to our rural economy can be substantial. Metrics will need to be developed around each of these outcomes and they will form the yardsticks against which all future policy interventions will be judged.

²² <http://www.daera-ni.gov.uk/consultations/northern-ireland-future-agricultural-policy-framework>

²³ <http://www.daera-ni.gov.uk/publications/stakeholder-responses-northern-ireland-future-agricultural-policy-framework-stakeholder-engagement>

To achieve this vision will take a collaborative effort with industry and stakeholders, using evidence to inform policy decisions, encouraging uptake of innovation, science and technology, encouraging knowledge and education exchange and ensuring these policies are supported by an appropriate level of regulation. It is only by working together to achieve these outcomes that farming and the environment can flourish.

The primary policy tools available to government - science, education, incentivisation and regulation - are applicable to helping deliver all of these outcomes.

The focus is primarily upon the factors that fall within the control of individual producers, where substantial gains can be achieved, rather than external influences over which no control can be exerted. Regardless of the farming enterprise, the objective is an industry that is efficient, adaptable, responsive to market demands, environmentally responsible, resilient in times of crisis, and uses knowledge and evidence as primary tools to deliver sustained success.

In seeking to deliver the above outcomes, the following additional requirements must also be taken into account.

- Future agricultural policy and the intervention framework must not conflict with WTO obligations; and
- The framework should not give rise to unacceptable market distortions within the UK.

The move from the previous support regime largely based on the EU requirements under the CAP to a new policy agenda will need to happen over a number of years in order to deliver a managed transition. This progression will be well sign-posted to provide greater certainty and clarity to farm businesses and land managers.

4.1 Key Outcome 1 - Increased Productivity

*An industry that pursues **increased productivity in international terms as a means to sustained profitability**, closing the productivity gap which has been opening up with other major suppliers.*

Productivity growth has been a constant feature of global agriculture for many decades, even centuries. Improvement in labour productivity in UK agriculture has been consistently lower than that of competitors such as the USA, France, the Netherlands and Italy over the past ten years and more. For example, it has been suggested that had the UK rate of productivity growth kept pace with that of the US since 2000, the contribution of UK farming to the rural economy would have been £4.3 billion higher by 2013²⁴. At a local level, benchmarking data indicate very considerable opportunities for substantial gains to be achieved in on-farm performance.

If the Northern Ireland agricultural industry is to have a viable future as a trading sector, it must at least keep pace with the productivity growth of its competitors and indeed out-perform them if it wishes to enhance profitability.

Whilst it is recognised that the productivity challenges faced by each agricultural sub-sector will not be the same, productivity growth must be one of the key outcomes for the future development of the industry as a whole. However, productivity gains cannot be at the expense of environmental sustainability and if managed correctly, these two objectives can be mutually supportive. Any new policy agenda needs to ensure that the twin objectives of productivity and environmental sustainability are pursued in a way that is synergistic rather than antagonistic.

In the 2018 engagement exercise²⁵, four broad policy instruments were identified to drive productivity in Northern Ireland:

- Science and Innovation;
- Agricultural Education;
- Knowledge Exchange (as part of continuous professional development); and
- Investment and Restructuring.

²⁴ <http://www.daera-ni.gov.uk/consultations/northern-ireland-future-agricultural-policy-framework>

²⁵ <http://www.daera-ni.gov.uk/consultations/northern-ireland-future-agricultural-policy-framework>

4.1.1 Science and Innovation

Science and innovation is an important driver of long term productivity growth. The goal of higher productivity growth through science and innovation must be achieved in a manner that is compatible with improving environmental sustainability and delivering high animal health and welfare standards. Targeted science and innovation must also seek to address these latter objectives in their own right (i.e. not narrowly focused on productivity growth).

Science evidence will be the foundation on which we structure the policy responses to address sustainability challenges (greenhouse gas, ammonia emissions, biodiversity etc.) and will be fundamental for monitoring and verifying that the policy interventions are having the intended effects and in driving further policy improvements.

4.1.2 Agricultural Education and Knowledge Exchange

The future success of the Northern Ireland agri-food industry will be determined largely by the ability of its people to acquire, assimilate and deploy knowledge that equips them to prosper in changing markets and trading conditions.

Agricultural education and knowledge transfer are the key drivers to the successful on-farm adoption of innovation and new technology. Research has shown that family farm income is higher in those households where the farmer has agricultural qualifications compared with those with no qualifications^{26,27}. In Northern Ireland, some 62% of working owners and 40% of employees hold no formally recognised qualifications²⁸. To address this issue, a renewed focus on, and a significantly higher investment in, increasing professional educational attainment and knowledge transfer in the sector is needed.

DAERA's Knowledge Framework²⁹ recognises that an education and skills system is crucial for economic growth, and indicates that improving the skills and employability of the entire workforce will allow people to progress, thereby delivering higher productivity and sustainability. Future policy will aim to ensure that individuals, organisations, and businesses within the agri-food industry will have access to high quality, relevant and accessible education, training and technology exchange provision to increase productivity.

This will mean focussing on interventions where there is evidence to support their adoption and ensuring there is an appropriate balance of investment and impact. Interventions may include; promotion and marketing (to tackle inertia and the lack of value attached to education), incentives (e.g. offsetting the cost of acquiring skills where appropriate, improving accessibility,

²⁶ <https://www.daera-ni.gov.uk/sites/default/files/publications/dard/returns-to-education-report.pdf>

²⁷ https://www.teagasc.ie/media/website/publications/2014/Teagasc_Impact_of_Education_Report.pdf

²⁸ <https://www.daera-ni.gov.uk/sites/default/files/publications/dard/skills-assessment-for-the-environmental-land-based-sector-in-northern-ireland.pdf>

²⁹ <https://www.daera-ni.gov.uk/articles/daera-knowledge-framework>

making education and knowledge a gateway to entering other programmes) or regulation (e.g. requiring certain minimum skills levels to be achieved by operators).

More people in better jobs is a key outcome in the draft Programme for Government. To meet that outcome, going forward there will need to be a focus on addressing skills imbalances in the economy³⁰. The greatest area of undersupply, is in the mid-levels: qualifications above GCSE and equivalent but below degree level. Qualifications at this level will be vital to our ability to adapt to new technologies and ensure they play their part in driving economic growth. The DAERA Knowledge Framework sets an ambition that by 2025, anyone taking over as head or effective head of a commercial farm or horticulture business should have at least a relevant Level 3 qualification (broadly equivalent to 'A' Level)³¹. To be clear, this is a goal to which the Department will work, not a mandatory requirement for those involved in the sector. However, the benefits of skills and knowledge acquisition are beyond question and the Department will seek to build stakeholder commitment to the continued professionalisation of the agricultural industry.

Achieving this ambition will require both an investment in human capital and a culture shift within a sector where the benefits of formal qualification attainment have tended to be undervalued. Therefore, it is a goal that will require action both on the part of government and of the industry. The downstream food chain must also seek ways of encouraging and incentivising the creation of a professional, qualified agricultural sector, recognising both the benefits and reduced risks that this creates in terms of its raw material supply base.

Past experience (e.g. in respect of the Young Farmers' Payment) has shown that linking qualification attainment with scheme eligibility or scheme competitive scoring can help drive farmer engagement with formal training initiatives, often for the first time. Experience has also shown that once this initial step has been taken, a significant proportion of participants are keen to progress with further training, having recognised the benefits that it can bring to their businesses.

Moving forward, DAERA will seek to continue to create the conditions whereby the attainment of relevant professional qualifications is encouraged and recognised across its policy agenda.

4.1.3 Continuous Professional Development

The attainment of a Level 3 qualification in early career is insufficient to maintain a high level of professional competence for an entire working life. A long-term commitment to skills and competency development can help deliver increased productivity through successful innovation and improved farm management efficiency; increased resilience through better management;

³⁰ <https://www.economy-ni.gov.uk/consultations/skills-strategy-northern-ireland-skills-10x-economy>

³¹ Level 3 is broadly equivalent to A-level and considered the lowest level of qualification consistent with a managerial role see <https://www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels>

a more strategic approach to farm business development; greater flexibility and adaptability; and improved environmental performance and animal health and welfare outcomes. Therefore, investment in Continuous Professional Development (CPD) is relevant to all farmers, land managers and workers, regardless of what stage they are in their career or of their existing level of formal qualification. This will be promoted in the sector through appropriate, accessible and flexible training and knowledge exchange initiatives. DAERA will wish to engage with industry to establish a more structured approach to CPD for individuals, which can be planned and phased in line with business development needs, and a portfolio of new knowledge and skills built up over time.

4.1.4 Investment and Restructuring

In order that farm businesses can fully benefit from science, innovation and technology transfer to drive productivity, they need to have access to the necessary funds that support innovation and new technology uptake that are also aligned to better environmental performance. Targeted support for capital investment will remain one of the tools that the Department will deploy to unlock innovation, drive better economic and environmental performance and achieve the broader strategic outcomes identified in this Framework. However, not all investment needs to be underpinned by government support and care needs to be exercised to avoid displacing normal credit provision from banks and other lenders, and to provide support in a form relevant to the investment needs. Therefore, any government involvement needs to be carefully considered and targeted, following a careful analysis of need, to ensure value for money and the achievement of policy objectives. Evidence of market failure should be a key consideration and intervention should seek to address the causes of market failure rather than addressing the symptoms as part of a tailored policy portfolio. Where benefits are uncertain or design is novel, a pilot approach will be considered, and investments with no pure economic revenue return may be given priority for grant support. Investment does not necessarily need to be in the form of capital grant; alternative financial instruments, such as loan funds or loan guarantees, may complement and unlock bank lending.

4.1.5 Stakeholder views

In the 2018 engagement exercise there was general support for the productivity approaches presented and for the proposals relating to encouraging agricultural education, knowledge exchange, Continuing Professional Development (CPD), investment in innovation and new technology, and exploring all possible alternatives to capital grants. There were, however, mixed views about linking educational attainment to other policy interventions. Copies of the responses received during the 2018 engagement exercise are published on the DAERA website at:

<http://www.daera-ni.gov.uk/publications/stakeholder-responses-northern-ireland-future-agricultural-policy-framework-stakeholder-engagement>

4.2 Key Outcome 2 - Environmental Sustainability

*An industry that is environmentally **sustainable** in terms of its impact on, and guardianship of, air and water quality, soil health and biodiversity, while making its fair contribution to achieving net zero carbon targets.*

Although a core objective of farmers is to produce food, they need to do this in a way that is environmentally sustainable and with due regard to their stewardship of habitats and landscapes. Around 70% of land in Northern Ireland is devoted to agriculture. Agriculture, therefore, has a significant impact on the environment, both positively and negatively. In particular:

- There is significant scope for influencing biodiversity through agricultural practices.
- Agriculture is responsible for a significant number of point source pollution incidents, and diffuse pollution from agriculture is one of the main pressures on water quality.
- Because of the structure of the Northern Ireland economy, agriculture emits more greenhouse gases (GHGs) than any other single sector - 26% of total Northern Ireland GHG emissions in 2019³². However, agriculture can also act as a very significant carbon sink, and the industry in Northern Ireland has been making significant progress in reducing the intensity of CO₂ emissions per unit of output. Nevertheless, it is recognised that there needs to be a significant step change in the response of the industry to the climate change agenda and that agriculture needs to play its full and fair part in helping Northern Ireland as a whole meet its GHG obligations.
- Agriculture is responsible for 96% of ammonia emissions in Northern Ireland³³. Ammonia deposition, together with other nitrogen compound deposition, is at a level that is having a detrimental impact on the condition of Northern Ireland's priority habitats, with plants that are intolerant to nitrogenous compounds being displaced by other species.
- Pressure on soils from agricultural activity can impact on their vital functions, such as nutrient cycling, filtering pollutants and water, storing carbon, and supporting plant and animal life.

Environmental sustainability is understood as recognising the need to meet current and future demand for agricultural products, while maintaining and improving the natural environment on individual farms and at landscape level, for the benefit of all. It is internationally recognised that a sustainable development approach seeks to progress economic and social ambitions whilst protecting and enhancing the natural environment.

³² https://www.daera-ni.gov.uk/sites/default/files/publications/daera/NI%20Greenhouse%20Gas%20Statistics%201990-2019_2.pdf

³³ https://uk-air.defra.gov.uk/assets/documents/reports/cat09/2010220959_DA_Air_Pollutant_Inventories_1990-2018_v1.2.pdf

Although agriculture does exert negative environmental impacts (greenhouse gases, ammonia emissions, water pollution, pressure on soils etc.), changes in agricultural practices have the potential to deliver major gains. Positive behavioural change amongst farmers and land managers is key to ensuring the long term environmental sustainability of the agriculture sector. Resource efficiency within agriculture will not only help drive enhanced productivity, it will also help deliver better environmental outcomes by avoiding unnecessary inputs and minimising losses to the environment. In many instances, enhanced productivity (if well managed) and environmental sustainability are complementary objectives. However, there are no economic incentives for individuals to improve environmental outcomes if these are not rewarded or recognised by the market. Therefore, there is a strong rationale to support actions which will improve the environment for the benefit of all citizens through an appropriate balance of regulation, incentivisation, education and advice. A number of principles have been identified that will guide policy development moving forward:

- Environmental payments should recognise and reward the public goods provided by farmers and land managers who achieve a verified level of environmental performance through the delivery of identified outcomes under a sustainable agricultural objective.
- Providing the right information to farmers and land managers, at the right time through education, knowledge transfer and professional development will be absolutely essential to underpin positive behavioural change amongst farmers and land managers and enable them to deliver the outcomes that are being sought.
- Outcome based schemes should be designed to be delivered by farmers using the knowledge and expertise that they have acquired and will acquire, though activity based prescription will still have a place in future scheme design, where appropriate.
- Schemes will need to be scalable and strategically focussed in terms of their objectives, delivering environmental outcomes at a landscape scale, recognising the interconnectedness of habitats and water bodies. Therefore, schemes must be applicable to all areas, land types and farms and be capable of delivering transformational change.
- Schemes will also need to adopt an appropriate time horizon, recognising that environmental improvements take time to materialise and must be sustained. The short term, start/stop nature of previous interventions should not be repeated.
- However, there must be robust monitoring and evaluation of scheme performance to ensure that the desired outcomes are being achieved, and where they are not, or where evidence suggests that further improvements are possible, then policy must be amended accordingly.

- The financial incentives on offer under the schemes must be sufficiently attractive to encourage large scale uptake, with farmers and land managers able to make an economic return on the environmental assets that they manage appropriately, with the environment being seen as another on-farm enterprise within an overall sustainable farming model. Under this approach, the environment will move to become a profit centre rather than a cost centre within the farm business for those who partake in the programme.
- All of this will require co-design of schemes and substantially redesigned partnership delivery models to meet the necessary ambition in terms of industry buy-in, scale of uptake and scheme success.
- This approach needs to be complemented by appropriate, proportionate, properly communicated and fairly enforced environmental regulation to ensure that farming practices do not cause unacceptable environmental consequences.
- Finally, market-led initiatives to encourage and improve environmental performance on farms, and to capitalise on any market advantage that better environmental performance creates, must be rigorously explored and pursued, particularly by the food processing sector. Moving forward, it is clear that direct engagement in driving environmental sustainability will not be an optional activity for any part of the wider food supply chain, and early action will confer first mover advantage.

4.2.1 Stakeholder views

There was good support for the suggested environmental principles in the 2018 engagement exercise, although many noted that actions to encourage environmental sustainability should be within the broader framework of sustainability. Over 50% of respondents supported the need for investment in research and education and recognised the need for any mitigations to be based on sound science. Stakeholders supported outcome-based measures; co-design with farmers and land managers; more emphasis on the role of positive environmental management and a move beyond a costs incurred approach to incentivise changes. On this latter issue, there was recognition of the need to balance the requirement for environmental payments which are attractive to farmers with providing clear value for money to the public. Copies of the responses received during the 2018 engagement exercise are published on the DAERA website at:

<http://www.daera-ni.gov.uk/publications/stakeholder-responses-northern-ireland-future-agricultural-policy-framework-stakeholder-engagement>

4.3 Key Outcome 3 - Improved Resilience

*An industry that displays **improved resilience** to external shocks (such as market and currency volatility, extreme weather events, etc.) which are ever more frequent and to which the industry has become very exposed.*

The agriculture sector is particularly prone to uncertainty arising from issues such as fluctuating input costs and farm gate prices caused by local, national and global market influences, extreme weather events, animal and crop diseases, changes in international trading patterns, geopolitical shocks, etc. Farmers, therefore, require tools that can assist their ability to “bounce back” in response to temporary shocks and “bounce forward” in response to system shifts.

Planning to mitigate and deal with the consequences of market disturbances and other setbacks must become a more prominent feature of the business of farming. Leaving this largely to government encourages unwarranted risk taking and exacerbates the problems when they do emerge. There needs to be a much greater focus within farm business planning and development on risk management and the use of risk management tools. That in turn must be reflected in the knowledge agenda going forward so that farmers have the necessary information and skills to embed robust risk management within their business models. Supply chain initiatives and relationships will also play a key role in the better understanding and management of risk, and that includes better market intelligence and information.

Farming does, of course, face risks and challenges that place it apart from other production sectors. Therefore, there is role for government in providing an underpinning, and appropriately designed safety net whilst avoiding the more undesirable aspects of a direct support regime.

4.3.1 Resilience Measure

Income support payments can improve farm resilience by providing an assured income stream. However, if set too high, such payments can act to slow agricultural productivity growth by masking technical inefficiency, reducing the drive to innovate and delaying structural adjustment. Support payments can also act to reduce the incentive to manage risk within farm business, or even encourage risky behaviour. Therefore, a balance needs to be struck between providing a safety net which helps a farm business withstand shocks outside of its control, and dampening the incentive to be efficient, competitive and to manage risk proactively.

Moving forward, a simple, area based (resilience) measure will form part of the agricultural support framework to provide this basic safety net. The level of funding allocated to this measure will be lower than under the current Basic Payment Scheme, both to mitigate the negative consequences noted above and to enable funding to be diverted to other policy interventions. This transition will be phased and the transfer of funding to other areas will be timed to match the

capacity of these other measures to absorb the monies released. The funding will be targeted at active farmers (the definition of which will be reviewed to ensure this targeting is as accurate as reasonably possible). In keeping with the policy objective of providing a safety net for active farmers, the lower and upper thresholds for receiving this support will also be reviewed.

In return for this support, certain standards of farming activity and behaviour will be expected, built upon a set of principles. This will be an evolution of the current cross compliance regime that is more focussed on supporting the broad policy agenda set out in this document and reflective of Northern Ireland conditions and issues.

It is recognised that the beef and sheep sectors face particular challenges in terms of their economic resilience, viability and exposure to volatility. Therefore, sitting alongside the area based measure there will be a headage sustainability measure for these sectors. However, this measure will seek to deliver more than a safety net - it will encourage and incentivise improvements in productivity and environmental performance in keeping with the broader policy agenda and so will have its own set of conditionalities.

4.3.2 Crisis Response

The safety net measures described above should operate in tandem with improved on-farm risk mitigation and management. These are the measures that will form the basis of a response to future shocks, unexpected events and market disturbances. Therefore, it is appropriate that there should be a common understanding of the scale and nature of the impact that these measures are expected to address, and only in the event that these thresholds are exceeded would there be any case to consider additional government assistance. Therefore, a crisis response framework will be developed to provide this clarity and understanding.

4.3.3 Stakeholder views

There was strong support for a simple area based resilience payment but no consensus on how that could be best achieved. There was some support for targeting resilience support payments to take account of natural disadvantage. Other suggestions for establishing the level of area based resilience payment were made. These included linking the payments to measures that increase productivity, efficiency, environment, effective use of natural resources, targeting towards active farmers, numbers of full time employees involved in in a farm business and/ or adjusting for different sectors and differing farming landscapes. There was an even split of stakeholders who supported tiering or capping of these payments and those who did not. There was support for having a crisis response framework. There were also a number of mixed and opposing views on what cross compliance should include. Copies of the responses received during the 2018 engagement exercise are published on the DAERA website at:

<http://www.daera-ni.gov.uk/publications/stakeholder-responses-northern-ireland-future-agricultural-policy-framework-stakeholder-engagement>

4.4 Key Outcome 4 - Supply Chain Functionality

*An industry which operates within an integrated, profitable, efficient, sustainable, competitive and responsive **supply chain**, with clear transmission of market signals and an overriding focus on high quality food and the end consumer.*

There is a range of supply chain structures in the Northern Ireland industry, ranging from the highly vertically integrated to the extremely fragmented. To overcome this fragmentation, encourage closer collaboration and cooperation between farmers and producers and to deliver a more efficient supply chain, the 2018 engagement exercise proposed that future agricultural policy in this area should address information, education, incentivisation and regulation.

4.4.1 Supply of information

Farmers and growers need ready access to impartial and timely information on pricing, production costs and markets. There were long established EU requirements for price reporting of key commodities established under the EU Common Market Organisation Regulation. Although this no longer applies to Northern Ireland and the rest of the UK, this system will continue, seeking to ensure that farmers have access to timely pricing and cost of production information to assist in business planning and managing their output. There is of course, scope to modify the data collection and reporting system in response to industry needs and the Department remains open to engagement with stakeholders on this issue.

4.4.2 Education and Knowledge Transfer

A better functioning, more efficient supply chain will require better information flows and awareness of market demands, trends, opportunities, product and process innovations, etc. Operating in line with its Knowledge Framework, DAERA will continue to work with stakeholders to define needs and ensure that appropriate skills provision is available along the length of the supply chain to assist its efficient operation.

4.4.3 Incentivisation

Cooperation and collaboration within the agri-food supply chain, such as producer organisations and other collaborative partnerships, has had relatively limited uptake in Northern Ireland to date. However, it does continue to offer an opportunity to address issues such as fragmentation, continuity of supply, economies of scale, etc. Co-operative and group initiatives can also play a very positive role in delivering the broader agricultural agenda, such as group-based learning and development initiatives, technology exploration and uptake of environmental delivery models. Therefore, DAERA will continue to explore opportunities to encourage greater collaboration (horizontal and vertical) where this offers a viable means of delivering better outcomes along the supply chain.

4.4.4 Regulation

Competition law is a reserved matter within the UK. There are effective mechanisms for regulating unfair trading practices and since leaving the EU, the UK Internal Market Act³⁴ has been created to underpin the smooth operation of the UK market. This includes the commitment to unfettered access for Northern Ireland produce on the GB market. The UK Government continues to develop its position on matters such as dairy producer contracts and DAERA will engage in this process to ensure that Northern Ireland's interests are fully recognised. Northern Ireland agri-food will also need to operate in line with EU State Aid requirements as defined. Subsidies granted in accordance with Article 10 of the Protocol (including future farm support payments in Northern Ireland) will not be subject to the UK Subsidy Control Regime.

4.4.5 Stakeholder views

Responses to the engagement exercise in 2018 showed good support for the Department playing a role in ensuring transparency. There was also support for supply chain awareness training, but mixed views were expressed on delivery of these and use of qualifications in seeking wider funding. Copies of the responses received during the 2018 engagement exercise are published on the DAERA website at: <http://www.daera-ni.gov.uk/publications/stakeholder-responses-northern-ireland-future-agricultural-policy-framework-stakeholder-engagement>

³⁴ <https://www.legislation.gov.uk/ukpga/2020/27/contents/enacted>

Part 5 Future Agricultural Policy Framework Portfolio



Part 5 Future Agricultural Policy Framework Portfolio

As outlined above, the future of agricultural support in Northern Ireland will be designed to deliver the four key outcomes of:

- Increasing agricultural productivity as a means to improved profitability;
- Environmental sustainability;
- Improving resilience; and
- A responsive supply chain.

This section identifies the portfolio of measures and cross cutting initiatives that are being developed to begin to address these outcomes.

5.1 Future portfolio

- 1. A simple, area based income (resilience) measure** to provide a basic safety net, but set at a level which does not blunt innovation or productivity. This would be aimed at active farmers, with upper and lower thresholds in keeping with its policy rationale, and with associated conditionality. It will be linked to the planned soil and LiDAR survey of Northern Ireland (as first suggested in the Sustainable Land Management Strategy³⁵) and require associated nutrient planning. Recipients will be required to adhere to certain standards of farming activity and behaviour (built upon a set of principles) as an evolution of the current cross compliance regime but more reflective of Northern Ireland conditions and issues and in support of the broader policy agenda.
- 2. A Headage Sustainability Measure** for suckler cow and breeding ewe producers. This will be designed to assist the development of these sectors, driving better economic and environmental performance. As part of this, we will also explore how a proposed genetics and livestock data programme could be linked to this measure to help accelerate the rate of improvement in economic and environmental performance.

³⁵ <https://www.daera-ni.gov.uk/sites/default/files/publications/daera/16.17.079%20Sustainable%20Land%20Management%20Strategy%20final%20amended.PDF>

- 3. An Agri-Environment Package** will form a central plank within the overall portfolio of measures, as we have many environmental issues that need to be urgently addressed. The underpinning principles that will be adopted in creating this package have been described above, and given the spread and complexity of issues, it is unlikely that a single, all-encompassing scheme would represent a deliverable solution. We will seek to apply lessons both from previous measures implemented in Northern Ireland and from those implemented or under development elsewhere. This package will evolve and expand, with impact, scalability and deliverability being key considerations.
- 4. An Investment Measure** will form part of the overall package, supporting the overarching policy outcomes. Driving innovation, productivity and better environmental outcomes will be primary considerations, whilst being mindful of the risk of adding to the burden of overheads that the sector already carries. We must expand investment and knowledge tools to support better nutrient management and reductions in carbon, ammonia and nitrates emissions. We need to explore the possibilities of encouraging the farming of carbon through a range of measures, including land and soil management techniques and increased woodland planting.
- 5. Knowledge Measures** will underpin much of the change and improvements that this policy portfolio will seek to drive. In keeping with the principles and direction set out in the Knowledge Framework, we will seek to secure the capacity and capability to enable the industry to invest in Continuous Professional Development. We will seek to build on the success of the Business Development Group model and embed a knowledge component in as wide a range of policy initiatives as possible.
- 6. Generational Renewal** - Accelerating the transition of farming businesses to those with better training and skills, who are more open to innovation and change and who have a longer investment horizon could help drive the policy outcomes being pursued under this Framework. Past initiatives have sought to encourage generational renewal with simple financial incentives. However, the issues involved are more complex than that approach would imply. A programme of work is being progressed to explore a more comprehensive approach to this challenge.
- 7. Supply Chain Measures** - a number of supply chain initiatives are being taken forward across the UK, but this is an area where greater engagement is needed locally to start to build common cause along the supply chain. The Independent Strategic Review of the Agri-Food Policy being led by Sir Peter Kendall³⁶ may offer views in this area. This workstream will also provide a key bridge across to the parallel Food Framework that is in early stage of development.

³⁶ <https://www.daera-ni.gov.uk/articles/independent-strategic-review-ni-agri-food>

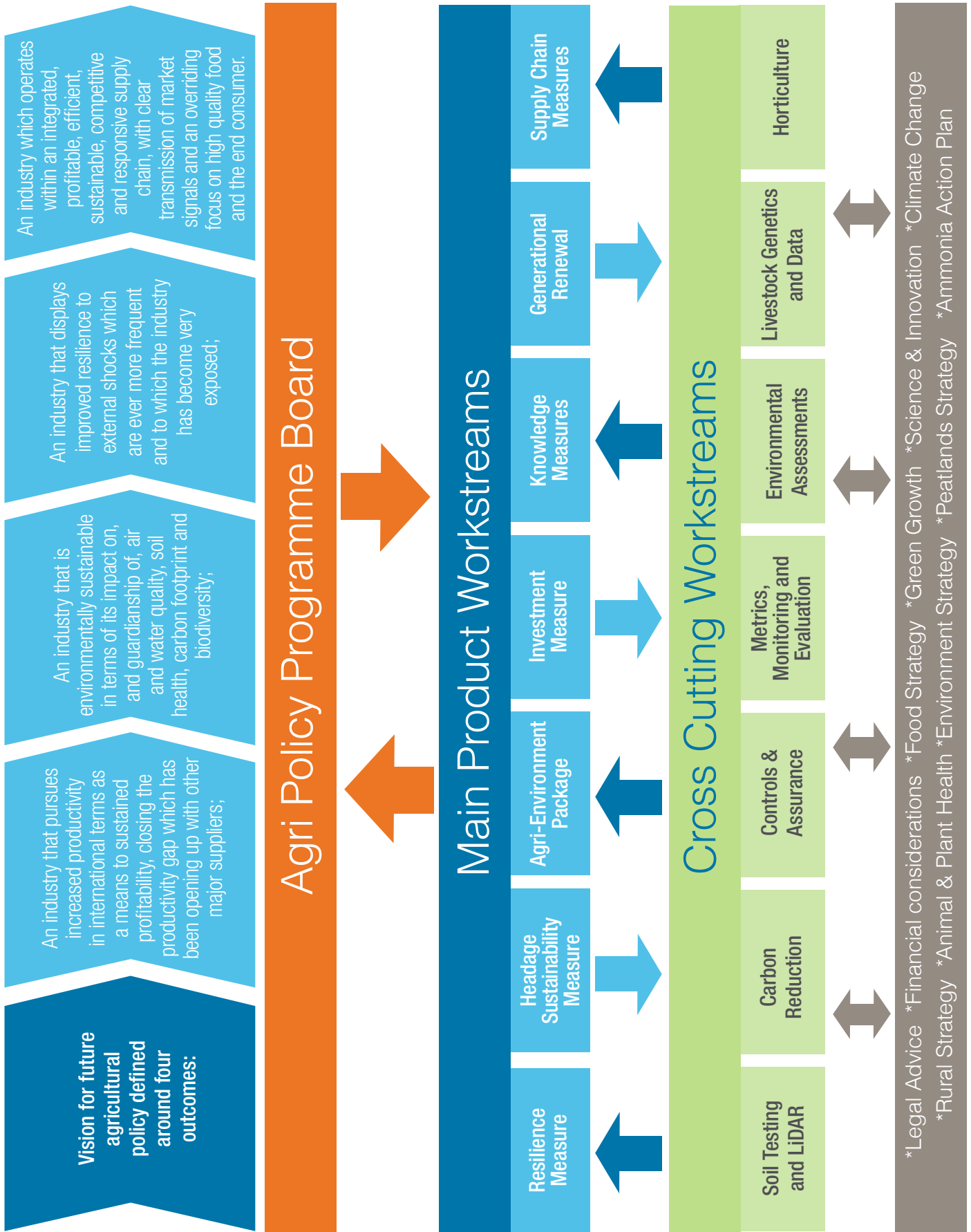
The workstreams described above constitute the primary components of the support framework in the foreseeable future. However, there are additional cross cutting elements that will underpin the achievement of the objectives, comprising:

- **Soil testing and LiDAR** - to provide a strategic platform that will be used to support productivity and environmental objectives, including carbon reduction;
- **Livestock genetics and data initiative** - to provide a strategic platform to drive productivity, environmental (including carbon) and animal health and welfare improvements through whole farm benchmarking and genetic gains;
- **Carbon reduction** - initially, this is being taken forward as a cross cutting theme, seeking to ensure that as many of the policy interventions as possible help drive down the carbon footprint of the agricultural industry, but this will evolve into a primary policy workstream in its own right as baselines and reduction targets are established;
- **Controls and assurance** - including the replacement for cross compliance, will form part of the overall policy agenda. New technologies that will streamline and enhance administration will also be within scope;
- **Metrics, monitoring and evaluation** - significant emphasis will be placed in establishing metrics that will be used to measure policy performance and progress, with investment in setting baselines and monitoring and evaluation systems that will provide the necessary evidence base to measure success and adjust future policy; and
- **Environmental Assessments** - a Strategic Environmental Assessment will be undertaken for this programme of work, along with a Habitats Regulation Assessment.

Although not a cross cutting measure, there is also a horticulture workstream (the only sectoral one within the programme) that is exploring options on how best to unlock some of the potential in a sector that could deliver significantly more for Northern Ireland agriculture and which is well attuned to emerging market developments.

The overall work programme to address the four strategic outcomes is summarised in **Figure 1** below. Work is progressing on the 14 separate but related workstreams developing policy proposals and design principles. We intend to consult on these in autumn 2021.

Figure 1



5.2 Assessment of Equality and Rural Needs Obligations

There will be a full equality screening process undertaken as the policy strands are developed under this Framework.

Responses to the engagement on the draft framework in 2018 generated relatively little comment on equality and rural needs issues overall. However, a number of specific comments will be considered in the detailed design of the emerging measures.

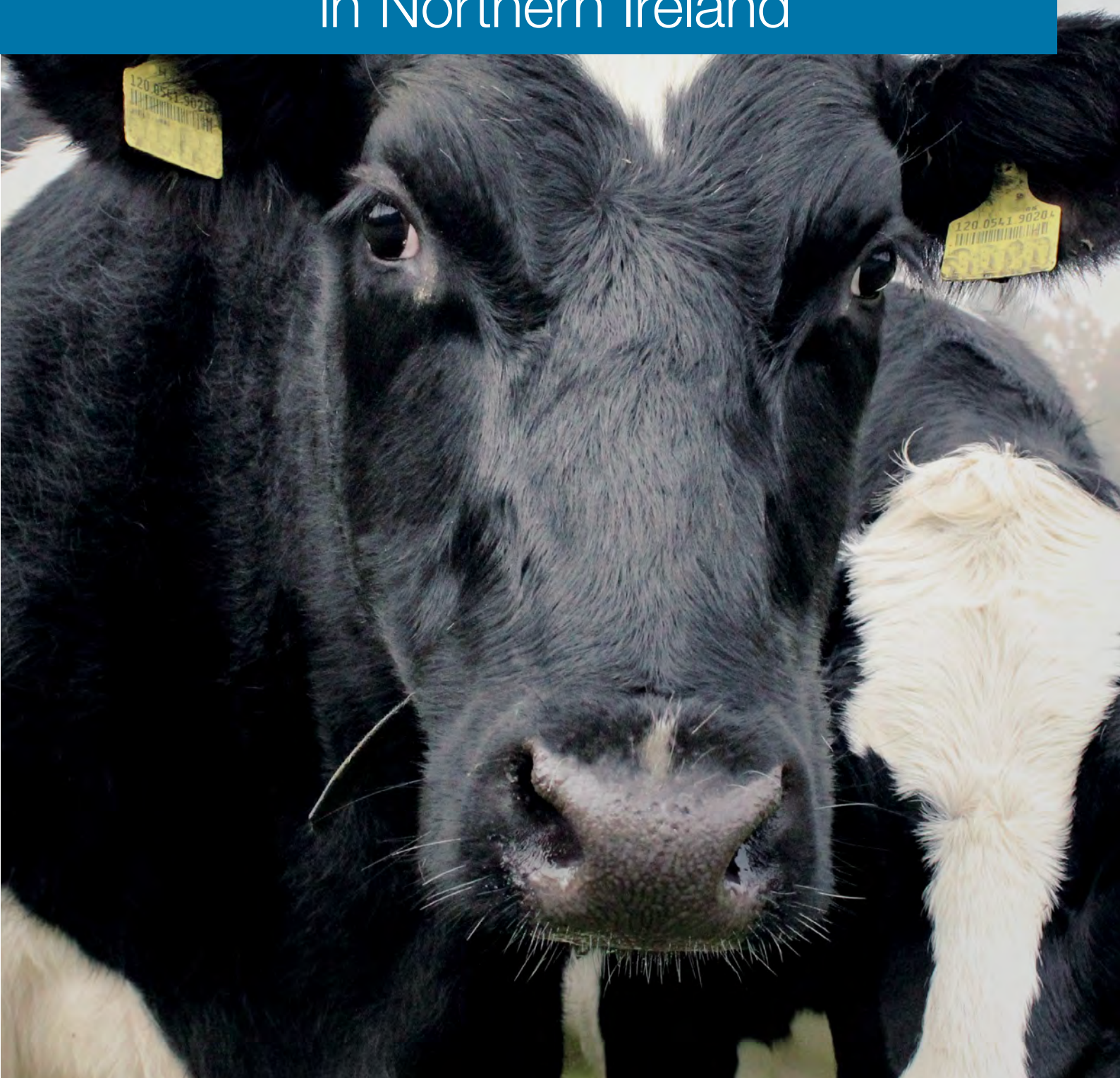
5.3 Concluding Remarks and Next Steps

Agriculture faces a broad spectrum of challenges over the next number of years, but farmers and land managers have significant potential to contribute to the sustainable development of Northern Ireland as a whole. The purpose of this Agricultural Policy Framework Portfolio is to guide DAERA's approach to helping farmers and land managers both address these challenges and unlock their potential.

Although this Framework is broadly based, it attempts to achieve a cohesive and integrated approach to the issue of agricultural support and places this within the context of a broader Green Growth initiative. It also sits alongside an emerging Food Framework and there will be close linkages between these two programmes. Not all of the elements of the Framework will move forward in unison, but it maps out a direction of travel that will guide funding decisions and priorities over the coming years and ensure a coherent and progressive approach to farm support within that timeframe. While the individual measures and initiatives will inevitably evolve over time, the four core outcomes of increased productivity, environmental sustainability, resilience and supply chain functionality will remain as long terms goals, and future policy interventions will be judged in terms of their ability to contribute to their achievement.

A public consultation on the more detailed policy proposals emerging from this Framework will issue in autumn 2021.

Annex 1 Current support regime for the agriculture industry in Northern Ireland



Annex 1 - 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 rate³⁷ in equal annual steps (known as convergence towards a flat rate) from 2015.

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).

³⁷ '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.

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;
- Greening Payment;
- Young Farmers' Payment; and
- Regional Reserve.

Total funding for this package of measures was set in euros (€327 million 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 at £293.3 million per annum.

Basic Payment Scheme

The Basic Payment Scheme (BPS) paid out just over £200 million 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 £88 million 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 £4 million 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 2³⁸ 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.

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.

³⁸ Level 2 is equivalent to GCSE Grade A*-C.

ISBN: 978-1-83887-089-8



Department of
**Agriculture, Environment
and Rural Affairs**

www.daera-ni.gov.uk

