

INDEPENDENT REVIEW OF THE INTRA-UK ALLOCATION OF DOMESTIC FARM SUPPORT FUNDING

STAKEHOLDER SURVEY

Please tick this box if you wish for your responses to be anonymized

Name	James McCluggage
Organisation	Ulster Farmers Union
Please state which part of the UK you are representing	<input type="checkbox"/> England <input type="checkbox"/> Scotland <input type="checkbox"/> Wales <input checked="" type="checkbox"/> Northern Ireland <input type="checkbox"/> Whole of the UK

QUESTION 1

Between 2014 and 2020, convergence funding was allocated to England, Wales, Scotland and Northern Ireland in the same way as the rest of the Common Agricultural Policy budget. Not everyone supported this decision, as explained in more detail in the attached paper.

The review panel will form recommendations on how convergence funding should be allocated to each part of the UK between 2020 and 2022.

Should the existing proportion of support for each country of the UK be maintained at present levels until 2022?

Yes No

If not, what changes do you think should be made and why?

Please explain your answer.

At a time of unprecedented uncertainty for farming businesses in Northern Ireland and across the UK, brought about as a result of the Brexit process, it is imperative that Government, whether that be in Westminster or across the devolved administrations, seek wherever possible, to provide as much stability, continuity and certainty as possible. Creating a separate allocation formula for the part of the Common Agricultural Policy (CAP) budget known as convergence funding would create unnecessary and unwanted uncertainty and instability for farming businesses at this time. Government should be doing everything within its power to minimise disruption for farming business. With no additional funding available, any changes to the allocation formula will create winners and losers within farming businesses across the UK which would be extremely concerning.

The CAP has a number of key objectives that it sets out to achieve, these include, supporting farmers to improve agricultural productivity, ensuring farmers can make a reasonable living, helping to tackle climate change, the sustainable management of natural resources, maintaining rural areas and landscapes and keeping the rural economy alive by promoting jobs in farming, agri- food and associated sectors. The Ulster Farmers Union would support these objectives and believe that they continue to be relevant in the context of UK farming policy for the period covered by this review and into the future. All of these objectives are underpinned by stable farming businesses.

Agricultural support must ensure that farming businesses across the UK have the opportunity to be competitive and that support is targeted at the active farmer, by that we mean the person(s) who takes the financial risks associated with food production.

The purpose of CAP Pillar 1 funds are to support agricultural sector incomes. On this basis it would be reasonable to suggest there would be a strong correlation between funds allocated to regions and their share of UK agricultural output. The UFU believe the best indicator to measure fairness is agricultural output. This indicator is widely used to measure the importance of agriculture within each country and its importance relative to the UK as a whole.

The current allocation formula for sharing CAP receipts within the UK is based on historical agricultural activity across the UK and not on the basis that more productive land receives a higher rate of payment than less-favoured land. This continues to provide a fair reflection of the activity being undertaken in each country, the UFU sees no justification to amend this formula. Any proposals to amend the current allocation would in our opinion be unfair and create further and unnecessary uncertainty for farming families, farming businesses, the rural economy and the agri food supply chain.

QUESTION 2

Should the panel take into account any issues specific to one part of the UK in the allocation of convergence funding across the UK?

Yes No

If so, how could any impact on the other parts of the UK be addressed?

Please explain your answer.

The Background paper to the review presents the Scottish Government position on the allocation of the €223 million convergence funding. For the reasons we have set out in question one we would strongly oppose the position of Scottish Government on this matter.

It would be very difficult indeed to explain why a region with no or very low agricultural output received a high proportion of a budget devoted to supporting agricultural incomes. It would be very unusual for factors such as agricultural land area or number of farms to be used to assess the importance of agriculture given the wide variation in agricultural land use or in farm type and size across the UK.

We do not support any formula that would see funding move away from productive food producing farming businesses to areas of the UK where minimal agricultural activity is being undertaken.

A move from historically based regional allocations based on output for the convergence funding could only be justified if the current allocations are unfair. It is the UFU's view that the current allocations are fair, particularly when comparisons are made with the share of agricultural output. Indeed Scotland already benefits more than any other country within the UK when their share of the CAP Pillar 1 Budget is compared to output from the supported sectors. Therefore the allocation of convergence money should continue on a historical basis for 2020 and 2021.

Scotland has historically and continues to this day to pursue an argument for additional convergence funding on the basis that the average direct payment per hectare in Scotland is below the UK average. Scotland therefore believes that convergence funding should be reallocated in their favour. However what needs to be borne in mind is the reason for the average payment being lower in Scotland is because upwards of 1 million hectares in Scotland is unproductive land with little, and in some areas no, agricultural activity undertaken. In fact Agricultural policy in Scotland is focussed on implementing measures to prevent or severely limit the amount of direct support that can be spent on this unproductive land. It should be recognised that allocating all or a disproportional amount of the convergence funding to Scotland would see a considerable increase in income support while all of the other UK regions would experience decreases. This would be deemed unfair, especially when comparisons are made with share of agricultural output. As a consequence the UFU is therefore of the view that the allocation of convergence money to the UK regions should continue on the basis of historical allocations. Any reallocation of convergence funding in favour of Scottish farms would perversely see this gap widen further putting farmers in Wales, England and Northern Ireland at an increased disadvantage within the UK marketplace and negatively impacting on the resilience of farming businesses in the rest of the UK.

Furthermore, it would be remiss not to mention the impact of Brexit on Northern Ireland agriculture. NI currently has deeply integrated supply chain with the Republic of Ireland (ROI). No matter what type of exit the UK has from the EU, the Northern Irish Agri Industry is very much exposed. As a consequence any suggested reduction in the amount of agricultural support being allocated to NI will generate widespread concern, particularly if farmers in the ROI continue to benefit from robust support from the EU.

QUESTION 3

The review panel are looking into which factors should be taken into account to ensure a fair allocation of convergence funding across the UK from 2020 to 2022, in line with the attached terms of reference.

Which factors or principles do you consider to be important for the allocation of convergence funding?

Please explain your answer and in doing so highlight which factors are the most important.

The current allocation of funding is primarily based on the distribution of previous CAP coupled support payments to the beef, sheep and cereal sectors in the 2000 -2002 period and for dairy on the amount of milk quota held in each region on 31 March 2005. Whilst that was over a decade ago this does not justify that the current historical based allocation is defunct. It must be remembered that other methods of allocating other aspects of Government expenditure have a much longer history. The analogy of 'if something is not broken, why fix it' applies here. The same factors still apply.

Direct payments are granted to farmers to provide some income stability and a safety net to help farming businesses maintain productive capacity and to be able to survive volatility in agricultural markets and climatic events. Through the direct support regime it is important that we ensure businesses are competitive and that no country within the UK seeks to improve the competitiveness of its farming industry through manipulation of the direct payment regime.

The purpose of CAP Pillar 1 funds are to support agricultural sector incomes and this will remain the case in the UK at least for 2020 and 2021. Based on this it would be expected

that there would be a strong correlation between funds allocated to regions and their share of UK agricultural output. It would be very difficult to explain why a region with no or very low agricultural output received a high proportion of a budget devoted to supporting agricultural incomes. Therefore the best indicator to measure fairness is agricultural output. That is the indicator that is widely used to measure the importance of agriculture within each country and its importance relative to the UK as a whole.

It would be very unusual for factors such as agricultural land area or number of farms to be used to assess the importance of agriculture given the wide variation in agricultural land use or in farm type and size across the UK. Different factors such as these will produce conflicting results and create major flaws in terms of measuring the relative importance of agriculture to each country.

We have already highlighted that average payments under the Basic Payment Scheme per farming business in Scotland are far higher than the rest of the UK, in addition to this a number of these businesses with higher than average BPS payments will also receive coupled support payments. If Scotland were to receive additional funding at the expense of farming businesses in other parts of the UK this would further distort the picture and create a double whammy with increased funding for Scottish farming businesses at the same time as reduced support for Northern Irish, English and Welsh farmers.

The most important factor to consider at the current time is the need, within agricultural policy, to maintain stability and certainty for farming businesses throughout the UK, maintaining the status quo for the allocation of convergence funding is essential to help achieve this objective. This review can ensure that within the area of funding, stability and certainty until 2022 is maintained for farming businesses across the UK.

QUESTION 4

Are there any factors or principles in relation to future allocation of convergence funding that should be definitely ruled out by the Review Panel?

Yes No

Please explain your answer.

We would maintain that the allocation mechanism for convergence funding until 2022 should remain the same as the intra UK allocation of the current CAP funding. This provides certainty and stability to farming businesses across the UK and in our view best respects the manifesto commitment to maintain agricultural funding until the end of this parliament. Any changes to funding that would mean different parts of the UK receive an amended funding settlement would result in a knock on effect to farming businesses in that country, we believe that would undermine the commitment made within the manifesto.

The Manifesto commitment was intended to provide reassurance to farmers in all constituent parts of the UK, if one or more countries was subsequently to receive less support as a result of this reallocation then we would argue that farmers would quite rightly feel that the manifesto commitment had not been honoured.

QUESTION 5

Please use this space to provide any further relevant comments.

The Ulster Farmers' Union is extremely concerned at the rather rushed nature of this review. This review being undertaken at a time when the industry is almost entirely focussed on dealing with the potential catastrophic implications of a No Deal Brexit on the UK Agricultural industry makes it difficult for organisations to dedicate the necessary time and resource to this important piece of work.

We firmly believe that any changes to funding across the UK should only be undertaken after a full and comprehensive impact assessment of any proposed changes has been undertaken. The review asks for consideration of factors reflecting the environmental, agricultural and socio-economic circumstances of the four parts of the UK. This is a significant piece of work and not something that we feel can be completed in the timescale required.

As mentioned previously the impact of Brexit on Northern Ireland agriculture. NI currently has deeply integrated supply chains with the Republic of Ireland (ROI). No matter what type of exit the UK has from the EU, the Northern Irish Agri Industry is very much exposed. As a consequence any suggested reduction in the amount of agricultural support being allocated to NI will generate widespread concern, particularly if farmers in the ROI continue to benefit from robust support from the EU.

For the reasons that we have set out in our responses to the five questions we would ask that the Review recommends that the allocation formula for convergence funding remains unchanged.