

Minister McConalogue – address to Select Committee 15 October 2020

I am honoured to have this valuable opportunity to lead this Department and to present to you the current challenges and opportunities across the various sectors in agriculture, food development, marine and forestry. The year 2020 has been a particularly testing one for the sector, dealing with the ongoing challenges associated with Brexit in addition to the new challenges posed by the COVID-19 pandemic.

My immediate priority is to continue preparing for Brexit and ensuring we have contingencies in place to support the sector to prepare for whatever may come. It is critical that we put measures in place to protect vulnerable farm incomes, support sustainable farming and jobs in rural and coastal communities and assist the sector to meet the challenges of Brexit. Since March, we have also had to deal with the massive disruption caused by the Covid-19 pandemic. The 2020 Revised Estimates before us today contain additional measures for the Agri-food sector to help address some of the problems. It is also my priority to maintain a strong focus on climate action and environmental sustainability to enable the sector to thrive in the future.

This year is also unusual in that I am here today presenting the 2020 Revised Estimates two days after the 2021 Budget was announced. This time last year, the 2020 budget was framed to preserve the strong financial supports that assist our Agri-Food sector. It will also prepare for the possible shock to the sector resulting from a potential no-deal Brexit.

For 2020, the total Exchequer contribution to the Vote of my Department amounts to 1.76 billion euro. That is comprised of €1.424 billion in current expenditure and €336m in capital expenditure, including a carry-over of €19.8m capital from 2019. This figure represents a gross increase of approximately 5% or €83 million on the 2019 allocation. When Appropriations-in-Aid are considered, the 2020 net vote is estimated at €1.4bn.

In relation to our 2019 performance, total expenditure was 1.635 billion euro. Current expenditure was 99% of the allocation, reflecting a very strong delivery of crucial supports to the agri-food sector.

The Vote is sub-divided into four expenditure programmes corresponding to the four key strategic objectives set out in the current Statement of Strategy. I will now speak about each of these four programmes (A – D) and the key themes.

Programme A: Food Safety, Animal and Plant Health and Animal Welfare

The total allocation for Programme A in 2020 is €278 million. I have provided increases in this programme to reflect the funding that is required in preparation for Brexit, including the associated development of supporting IT systems and equipment.

The world-class food produced by thousands of Irish farmers, fishermen and agri-food companies around the country is produced to the highest international standards of food safety and quality. Our food safety and traceability systems continue to be recognised as among the very best in the world. Regarding programme expenditure, I am continuing to fund vital

services to ensure those standards are maintained, including the Meat Inspection Service and the various supports provided by the Department testing laboratories.

In relation to animal welfare, I have provided €2.5 million for the Calf Investment Scheme. This scheme is a new initiative from my Department providing funding for a range of on-farm investments which will add significant capacity on Irish farms for the rearing of calves and will further enhance the health and welfare credentials of Irish agriculture.

Turning to Programme B: Farm Sector Supports & Controls

A total of just over €924 million is available to Programme B in 2020, to be paid almost exclusively to farmers. That is in addition to the €1.22 billion funding from the EU in respect of the various Direct Payment Schemes.

This support is vital to farmers who deliver public goods and environmental benefits. As well as the inherent environmental benefits involved, this investment enhances our sustainability credentials, which are invaluable as we serve increasingly demanding and knowledgeable customers at home and around the world.

The provision for my Department, notwithstanding Brexit, will focus on the difficulties in the beef sector. Approx. €135m will be provided in targeted schemes to support sustainable beef farming, an increase of 58% on the 2019 allocation. This includes approximately €44.5m for the Beef Data and Genomics Programme (BDGP) and a further €40.8m for targeted supports. The Beef Environmental Efficiency Pilot (BEEP) Scheme that was introduced in 2019

has been extended for a further year and will provide practical guidance for the future viability of our suckler herd and complements the BDGP very well.

Other supports available to the beef sector include the Beef Finisher Payment Scheme, provided as part of the COVID stimulus measures. The European Commission recently formally approved the €50m scheme to support those working in the Irish beef sector who have been affected by the Coronavirus pandemic. The Beef Finisher Payment Scheme is a one off, exchequer funded grant aid scheme under the COVID-19 State Aid Temporary Framework. The scheme will address liquidity shortages for farmers adversely impacted by the COVID crisis between February and mid-June 2020 and is aimed at farmers with finished animals who suffered from both reduced prices and other restrictions in getting the animals to market.

Moving to the sheep sector, €18m is included for the continuation of the Sheep Welfare Scheme. In addition to the beef and sheep supports I propose to increase the budget for Bord Bia by more than €1.6 million with much of the funding to be used to promote the Irish beef and sheep sectors through promotion campaigns here on the home market and in some European countries.

The work of my Department is very much in sync with the objectives of the Oireachtas Committee on Climate Action Report and the whole of government approach to ensuring Ireland's transition to a low carbon economy. In that regard the provision for Agri-environment Schemes is increased by €7m. This includes an increase in funding for locally led schemes in 2020. These local environmental schemes are a highlight of our Rural Development Programme.

The Government is supporting farmers and local communities to deliver real environmental gains through schemes such as the Hen Harrier Project, the Pearl Mussel Project and many smaller local schemes. My Department is currently supporting 23 such locally led programmes around the country. At a time of climate and biodiversity crisis, these schemes are showing real innovation and are focusing on measurable results in terms of climate, biodiversity and water as well as enhancing the viability of farmers involved.

An additional locally led pilot scheme on the reduced management of farmed peat-land was announced recently. This scheme is designed to increase carbon sequestration and contribute to meeting our commitments as part of the Government Climate Action Plan. It will also enhance the protection of biodiversity and water quality and provide a template for action in advance of Ireland's next Common Agriculture Policy.

Turning to forestry, I am providing almost €93m in support of the forestry sector. This provision is in recognition of the vital contribution it can make in mitigating climate change and supplementing farm incomes. The Forestry Review in 2018 has given rise to adjustments to the programme which has resulted in a much more diverse species mix than previously. In line with our ambitions under the Climate Change Plan, and together with the planting by Coillte in partnership with Bord na Mona, this provision can support over 6,000 hectares of new plantings.

In terms of capital expenditure, I have increased the allocation for the Targeted Agricultural Modernisation Scheme, TAMS by to a total of €104 million, including the capital carryover of 19.8 million. This will fund investment in a

range of environmental and competitiveness measures, including Low Emissions Slurry Spreading, solar panels, and slurry storage, as well as support for the horticulture and organics sector. Claims are being submitted on an ongoing basis with more than €55 million paid out already this year. Many farmers recognise the value of upgrading their equipment and improving their facilities and we will continue to match them in their ambition and pragmatism.

Programme C: Policy and Strategy

Many of the programme C allocations reflect the comprehensive approach to Brexit responsiveness and how that links with the continuing implementation of the FoodWise strategy.

The total allocation for Programme C in 2020 is €379 million. In relation to the food sector, programme C includes a provision of more than €11.5 million to Teagasc's capital allocation which will permit it to proceed with the development of the food hub in Moorepark. €8 million is also retained to support innovation in the Food Sector. While these initiatives fostering innovation and product development are consistent with the direction of FoodWise 2025, they have also been given a greater focus by BREXIT.

The agri-food sector has been well served over the last 20 years by having a series of ten-year strategies such as FoodWise 2025 to guide its development and we have committed in the Programme for Government that this should continue with the preparation of a new strategy to 2030. While the sector faces significant challenges, the sector has also many opportunities to develop

further and prosper. We have a strong international reputation as a supplier of safe, nutritious and sustainably produced food. International consumers seek out our food and beverage products in what is a very competitive international market. We should be proud of this and work to build and enhance that reputation for the benefit of our farmers, fishers and all other stakeholders within the sector. A Committee of sector stakeholders has been working since late last year on this new strategy. Their terms of reference are to outline the vision and key objectives, with associated actions, required to ensure the economic, environmental and social sustainability of the agri-food sector in the decade ahead.

The pursuit and development of new markets for Irish agri-food exports is an ongoing and central component of the strategic development of the agri-food sector as set out in the FoodWise 2025 Strategy. In recent times, it has gained particular relevance given the need to diversify our markets in the advent of Brexit and in response to the circumstances created by the current pandemic. Over the last number of budgets increased funding has been provided to Bord Bia in order to strengthen its understanding of consumer priorities and preferences in Ireland and in distant markets, and to communicate those insights to Irish food companies for use in product promotion, development, branding and marketing.

Trade missions play a key role in market and trade advancement. In 2019 and 2020, successful visits have taken place to Turkey, China, Japan, South Korea, Algeria and Egypt among others. Market access for Irish sheep meat to Japan was agreed during the Trade Mission as well as confirmation of enhanced beef access to Japan with removal of the 30-month age restriction. Increased market access was advanced and achieved through these visits, some

examples being the additional 14 beef plants being approved for export to China and the agreement with Algeria for the export of cattle for slaughter. 2019 also saw visits to more traditional markets including to the Netherlands in November where Minister Creed met representatives of the Dutch Veal Industry, visiting their facilities and receiving re-assurances both on animal welfare and capacity issues. The Minister concluded his 2019 schedule in December in the Netherlands and the UK, meeting key multi-national supermarket groups.

My Department, supported by Bord Bia, intends to hold virtual trade missions later this year, with Thailand, Vietnam, Philippines, Malaysia and Indonesia being considered. In addition to outward Ministerial trade missions, the Department hosted high level visiting delegations from a wide range of countries in 2019.

The Government's focus on, and commitment to, new market development has been illustrated by its appointment of my colleague, Martin Heydon T.D., as Minister of State with specific responsibility for this task. In addition, my Department's international trade activities are being reorganised and further developed, as we deal with the twin challenges of Brexit and the COVID-19 pandemic. More generally, my Department will continue to seek out and identify new markets, and I am of course ready to respond as appropriate to any opportunities that may arise.

The Horse & Greyhound Racing Fund will be retained at €84 million in 2020. An additional €1 million will bring the 2020 allocation for Horse Sport Ireland to €4m to assist with the strategic development of the sector.

The Greyhound Racing Act 2019 was signed into Law in 2019. This Act both modernises the legislative basis for the industry and provides the board with significantly enhanced powers which aim to enhance animal welfare standards in particular. Though the sector faces many ongoing challenges, it is hoped that the Act will provide a strong foundation from which the industry can develop.

HRI continues to promote the Thoroughbred Equine Sector, and the opening of the redeveloped Curragh Racecourse in 2019 was a particular highlight. The sector continues to be an important source of employment and economic activity in 2020, in rural areas in particular. I am confident that HRI are preparing the industry for the inevitable challenges that Brexit will bring, and my Department will continue to work with HRI to that end.

Further to the announcement to expand the Future Growth Loan Scheme and following the strong uptake of the by the agri-food sector in 2019 I have made provision for almost €20.4m in the 2020 estimate. I am aware that despite the strong uptake there has been some unfulfilled demand. This expansion will meet that demand and together with the evolution of the Scheme will also assist in meeting the ongoing challenges the sector has in dealing with Brexit in addition to the new challenges being posed by COVID-19. The unsecured nature of the funding is a crucial support to all parts of the production chain; farmers, fishers, forestry and food & beverage production but particularly helps young and new entrant farmers, as well as smaller farmers. This scheme will help to facilitate innovation and ensure that our enterprise base is sustainable into the future.

In relation to the World Food Programme (WFP), following an appeal from the Executive Director of programme, most of Ireland's commitment for 2020

(€23m) was paid by way of an advance in 2019. Ireland also facilitated an early disbursement of the €700,000 balance of its 2020 commitment in May this year following an additional appeal by the WFP in the context of its response to the COVID-19 pandemic.

As part of the Government's response to Covid-19, my Department was allocated an additional 20 million euro which was provided to the Strategic Banking Corporation of Ireland access to finance support schemes.

Programme D: Seafood Sector

The provision for the Department's Seafood Programme has been increased by over €15 million, to a total of €159m. The provision will help fund vital investment in our fishery harbours, most particularly in Killybegs, Howth and Castletownbere. As part of the July Covid Stimulus package, an additional 5 million euro was allocated to support the Howth Fishery Harbour Centre middle pier redevelopment project.

The budget provision will allow the Marine Institute to progress the construction of a new €25m modern research vessel. This will provide critical national infrastructure to enable Ireland to address the considerable challenges of Brexit and the Common Fisheries Policy as well as climate induced impacts on our oceans.

Conclusion

With regard to the Multiannual Financial Framework (MFF) negotiations, which were concluded in July 2020, I am pleased to say that Ireland has retained a CAP EU funding package in excess of €10bn for the 2021-2027 period. These

funds are an essential support to the farming sector through challenging times. Whilst this funding is not reflected in the Vote 2020, there are significant preparations ongoing in my Department to meet the challenges of a new delivery model for CAP funds.

In conclusion, this is a brief overview of the range of measures that apply in the agri-food and marine sectors for 2020. I believe that these funding allocations will assist us in focusing on competitiveness, innovation, new market development and environmental sustainability, while responding to the uncertainty and challenges posed by Brexit and the COVID pandemic. I look forward to the discussion and questions from committee members.