

Minister McConalogue – address to Select Committee 30 March 2021

Chairman, Committee members, I welcome this opportunity to present to you the Revised Estimates for 2021. The Budget last autumn was set in unique circumstances with the challenges of Brexit and Covid, and in the transition between the current and new Common Agriculture Policies. The Agriculture vote for 2021 provides my Department with the resources to deal with the current challenges and opportunities across the various sectors in agriculture, food development, marine and forestry.

My priority was to ensure that the CAP transition did not result in any gap in funding for farmers and their families. My primary focus has been to maintain supports for vulnerable sectors, without losing focus on the strategic development of agriculture and food. I also wanted to lay the foundations for a major new Agri Environment Scheme to support farm incomes and incentivise climate and environmental action into the future. I believe I have achieved these objectives by delivering an 11% increase in the Department's budget in 2021, while providing significantly increased support for sectors such as horticulture and organics, and in areas such as strategic research and innovation, marketing and promotion, and investment in the sea fisheries sector.

It is important to say that with the COVID-19 pandemic, we have found ourselves in an unprecedented situation, and our decisions and actions must be led by public health advice. The agri-food sector, which is critical to maintaining food supply chains, from farm inputs to retail distribution, has demonstrated its resilience. While there were undoubtedly some disruptions

in the food supply chain, due to issues such as labour shortages, transport and logistical difficulties, these were generally short-term in nature and the food system overall proved remarkably resilient.

The delivery of essential services to farmers, fishers and the food & forestry sectors has been prioritised by my Department and its agencies throughout the course of the pandemic. The necessary steps have been taken to ensure that producers and processors can continue to operate effectively and keep supply lines open and that the Department and agencies can operate as effectively as possible.

A variety of supports to assist the sector have been implemented including: a scheme of aids to private storage under the CAP for certain dairy products, €50 million for beef finishing farms and a Temporary Fleet Tie-up Scheme for fishing vessels. Many of the horizontal supports available to individuals and businesses are also available to the agri-food sector, including grants, low cost loans schemes and employment supports.

The resilience of the sector here is demonstrated by the fact that total agri-food exports for 2020 are only down 3% in value compared to 2019, from €14.6 billion to €14.2 billion. I will ensure that my Department and its agencies, in consultation with stakeholders, will continue to monitor the impacts on the agri-food sector as the situation evolves, and to provide appropriate supports to the sector.

For 2021, the total Exchequer contribution to the Vote of my Department amounts to 1.826 billion euro. That is comprised of €1.526 billion in current expenditure and €299m in capital expenditure. [There is an additional carry-over of €31.6m capital from 2020.] This figure represents a gross increase of approximately 4% or €69 million on the 2020 allocation. When Appropriations-in-Aid are considered, the 2021 net vote is estimated at €1.46bn.

The Agriculture 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 2021 is €322 million, an increase of 10%.

The world-class food produced by thousands of Irish farmers, fishers, food producers 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.

There is an increased provision for TB testing this year. The level of TB in Ireland continues to be at relatively low levels although disease levels have been rising since 2016. Informed by the TB Forum Interim Report, I launched a renewed Bovine TB Eradication Strategy on 27th January 2021. DAFM Officials in consultation with the TB Forum will during 2021 and beyond implement the policy options outlined in the Bovine TB Eradication Strategy. Our focus will be set on reducing disease year by year. The Strategy is a road map and everyone involved in the sector needs to work together to deliver a TB-free herd. The financial and emotional loss is too great for us all not to work in unison in this regard.,

Programme B: Farm Sector Supports & Controls

A total of just over €968 million is available to Programme B in 2020, to be paid almost exclusively to farmers. That is in addition to some €1.2 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.

There are several key provisions in Programme B in my Department's estimate for 2021. I am providing some €79 million in new funding for pilot measures in the agri environment area- central to this will be a new Results-based pilot programme for farmers. who are not currently in GLAS, as well as a number of pilot environmental actions that will be available to farmers on a broader basis. These pilot actions will inform the development of a major new environmental scheme for agriculture following on from the GLAS scheme. The Programme for Government commits to the development of a new agri-

environment scheme capable of delivering broad environmental and biodiversity benefits that will align financial supports with climate objectives. To advance this objective a pilot project will be run over the period 2021 to 2022. It is proposed to do this as a results-based project in order to align it with the principles of the next CAP.

I am conscious of the pressures on the tillage sector and I have allocated some €10 million of this sum specifically for that sector. This funding will also contribute to the development of new initiatives on farm safety.

Beef and sheep farming is the lifeblood of many rural communities and is the backbone of a balanced economic development. I am keenly aware of the importance of suckler, our beef and our sheep sectors. The 2021 estimate provides €102 million in targeted supports for livestock farming. I am providing more than €85 million to support sustainable beef farming. This includes over €40 million for the extension of the Beef Data and Genomics Programme during the transition period. It also includes €40 million for the Beef Sector Efficiency Pilot, based on the BEEP-S Scheme, as well as providing an additional €5 million for the new dairy beef calf weighing measure to support beef farmers rearing dairy calves. I launched both of those schemes earlier this month and I am expecting a strong uptake from our farmers.

I have also provided €6 million to promote our suckler beef abroad and we are working on developing a PGI status for Irish grass-fed beef which I want to be extended on an all-island basis in time. I am committed to the continued support of our suckler and beef sectors. Our farmers continue to produce a

top-class product and the suckler cow helps generate balanced regional economic development.

Furthermore, there is provision in 2021 of €17 million for the extension of the Sheep Welfare Scheme. These measures, together with the allocation of more than €450 million for schemes like GLAS and ANCs, will support livestock farmers to improve the economic and environmental performance of their herds, while providing valuable income support for the sector.

I am also providing €80m, including the capital carryover, for the TAMS scheme to support investment on farms and the continuation of the scheme during the Transitional Period, with new investments added. From the opening of Tranche 21 in January 2021 Calf welfare investments have been added to the current list of available investments. GPS spreaders have also been added to the Young Farmer Capital Investment Scheme and the Animal Welfare and Nutrient Storage Scheme.

Turning to forestry, I am providing €103m 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.

Programme C: Policy and Strategy

The total allocation for Programme C in 2021 is €398 million. 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 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 2019 on this new strategy. The Committee has held 12 meetings to date. The approach agreed by the Committee as a starting point is to develop a sustainable food system with environmental, economic and social dimensions. In addition, the Committee are adopting a food systems approach which involves considering the connections of the food system with nutrition, health and the environment.

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. The Bord Bia grant has increased by over €4 million to €52 million in the 2021 estimate.

In relation to the food sector, the allocation for development and promotion has increased by 23% to €15 million, and the provision for research and development has also increased this year to €29.9 million. I have also provided for the establishment of a National Food Ombudsman, in accordance with the commitment in the Programme for Government. Strengthening the position of farmers in the supply chain is a priority for me to bring much-needed transparency to the sector. My Department is drafting the legislation needed to establish a food ombudsman, and I am making an initial provision of €1m to assist with start up costs. This is a very important initiative, and together with continued support for the establishment of producer organisations, can help to make a difference.

The allocation to the Horse & Greyhound Racing Fund has been increased to €97.5 million in total in 2021. That includes an allocation of €1.5 million for the Irish Equine Centre.

Loan Schemes

Access to finance is a crucial business need and as well as liaising with the main banks on issues relating to the agri-food sector, my Department and I work closely with the Tánaiste & Minister for Enterprise, Trade and Employment and his Department, as well as with Minister Donohoe and his Department. Together we have put in place important supports for businesses to ensure

that they have access to finance during this pandemic and also to help deal with the challenges brought about by the end of the Brexit transition period.

Finance is required: 1) as working capital to ensure the efficient functioning of businesses on a day-to-day basis; and, 2) as investment capital, to develop and evolve to meet future needs and challenges. I work to ensure that farmers, fishers and food businesses have access to appropriate supports, whether that be by private provision or with the help of state-backed schemes.

The COVID-19 Credit Guarantee Scheme provides an important source of working capital finance and it is important that it continues to the end of this year, in line with the recent extension of the EU Temporary State-Aid Framework, which facilitated this support. We are all hopeful that developments in 2021 will see the economy reopening fully and it is probably only then that we will see the full extent of the need for working capital support. The €2 billion facility put in place by Government is a signal of our intent to do everything we can to ensure as many viable businesses as possible survive this crisis and it should continue for as long as it is required.

The Future Growth Loan Scheme has provided farmers, fishers and food businesses with a source of long-term, unsecured investment finance that was previously unavailable in the market here. There has been a high level of demand from the agri-food sector and I know there is now only limited capacity available. Together with colleagues we will consider whether further support is required. Although we are all dealing with the current challenges of Covid-19, it is good to see investment for the future, which shows the high level of ambition in the sector.

The SBCI Working Capital Scheme, which comprises the Brexit Loan Scheme and SBCI COVID-19 Working Capital sub-schemes, was due to conclude on 31 March 2021, a critical time post Brexit. Extending the scheme to the end of December 2021 will provide certainty to businesses on their working capital needs, keeping viable businesses going and protecting jobs. Given the current uncertainties it is difficult to forecast how demand will materialise and therefore prudent to adopt a flexible approach to emerging demand on the sub-schemes.

The renegotiation with the European Investment Fund on the guarantee arrangements for the SBCI Working Capital Scheme, as well as making the full €200m extension available, provides us with an opportunity to seek improvements to the Scheme, including making it available to farmers and fishers. These modifications will extend and improve the generous supports for access to working capital put in place by Government, while not adding to the costs already approved. Our small and medium sized businesses, the backbone of the economy and among those most affected by the pandemic, deserve our continued support.

Programme D: Seafood Sector

The provision for the Department's Seafood Programme has been increased by 8% to a total of €167.7 million for the continued promotion of the environmentally sustainable development of fisheries, aquaculture and wider seafood industry. This sector supports some 16,000 direct and indirect jobs in the coastal communities.

The provision will help fund vital investment in our fishery harbours, most particularly in Killybegs, Howth and Castletownbere. The 2021 provision will allow the Marine Institute to progress the construction of a new €25 million 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.

The budget allocation for the Sea Fisheries Protection Authority in 2021 will allow the SFPA to continue to meet its National and EU obligations as Irelands competent Authority for the enforcement of Sea Fisheries and seafood safety law and to meet challenges arising from Brexit.

The SFPA will be required to support additional activity in the following areas as a result of Brexit: Import Consignments, Import Direct Landings, Export Consignments and Export Direct Landings. Earlier this year I designated additional Ports for third country landings in early 2021 in order to facilitate Northern Ireland registered vessels landing into Ireland. Greencastle, Howth, Burtonport, Ros an Mhil & Rathmullan have been added to the list of designated Ports.

The core areas of the SFPA include the costs associated with certifying seafood in food business premises throughout the country, providing 24/7 Inspection services at the main fishery harbour centres and at numerous secondary ports around the coast.

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 2021. 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.