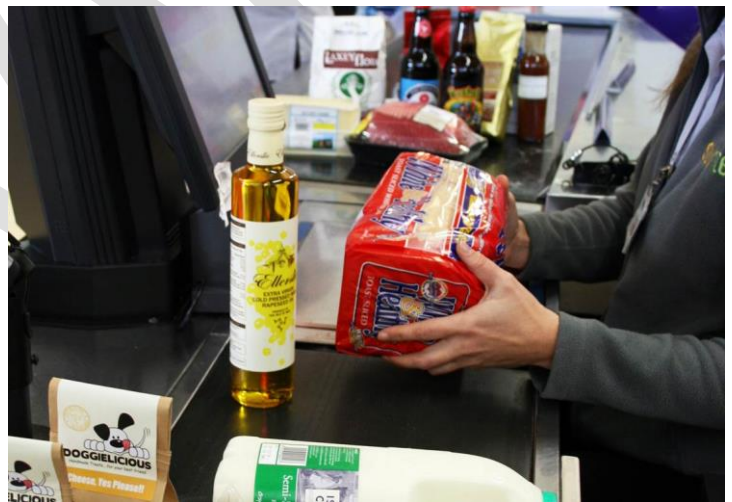




Agriculture and Fisheries Grant Scheme 2016

Consultation Summary



Department of Environment, Food and Agriculture
Rheynn Chymmltaght, Bee as Eirinys

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Isle of Man
Government

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Responses to the consultation on the proposed Agriculture and Fisheries Grant Scheme

Introduction

Currently the agri-food and fisheries industries contribute over £75 million and 1,400 jobs to the Manx economy. The Department is committed to supporting the local food sector to thrive as an innovative, competitive and resilient sector and a sustainable source of growth and jobs. This not only supports the economy but also ensures a readily available and sustainable source of locally produced foodstuffs.

The Department currently offers grant aid to the industry through 4 separate mechanisms:-

- The Food Matters budget, established following approval of Food Matters by Tynwald in 2014;
- 'Seeing is Believing' offers support for training sessions, courses and off-Island visits to improve sector understanding;
- The Farm and Horticultural Improvement Scheme, a business improvement and development scheme for agricultural and horticultural businesses;
- The Fishing Vessel (Financial Assistance) Scheme offers financial support to the fishing industry for safety provision and vessel modernisation.

The recent renewed focus on indigenous food producing industries and in particular their sustainability through diversification and development of added-value products prompted the Department to carry out a review of the current schemes to ensure they are able to fulfil these aims and to seek the views of relevant stakeholders.

Consultation

The key message within the consultation was:

The Agriculture and Fisheries Grant Scheme is an overarching piece of legislation which will comprise elements from the four existing Schemes.

The overall, shared aims of the Scheme are:

1. To ensure that DEFA schemes related to food, farming and fishing are aligned to Government's key strategies; Agenda for Change, Vision 2020, Food Matters, Digital Strategy etc.
2. To ensure that the Department can provide an application process that does not discourage investment in these sectors.
3. To ensure that scheme criteria are targeted to provide the necessary support for the food industry to grow/become more sustainable.
4. To ensure that schemes are available when investment is required to prevent delays in progressing development in the sector.

A draft consultation document was circulated to stakeholder groups on 17th March 2016; the consultation officially ran from 1st April to the 13th of May 2016. In total, 8 responses were received by the Department within the consultation period with a further 12 arriving after the official closing date.

Consultee views and DEFA's responses

Agriculture

Consultation comment

"The principle of amalgamating several very different grant schemes in to one single "umbrella" grant structure to be called the Agriculture and Fisheries Grant Scheme is strongly opposed, as it would also presumably amalgamate budgets, result in a loss of transparency and dilute the specific budgets which currently address the differing needs of the different industries."

DEFA Feedback

Late last year whilst investigating the options to update the existing FHIS, DEFA became aware that any update would now have to be made under the FINANCIAL PROVISIONS AND CURRENCY ACT 2011; therefore this wasn't an update but a complete rewrite. With the employment of a Food Development Manager, DEFA has been building ever closer links with DED, therefore, it seemed logical that a new DEFA grant Scheme should mirror the Scheme currently in place and used by DED. It was also felt to be logical to write one overarching Scheme which could be used across the Department.

It has always been the intention that the four proposed sections within the overall Agriculture and Fisheries Grant Scheme will have individual budgets and that how the money is spent within those budgets will be completely transparent. An application to the Agricultural and Fisheries Grant Scheme requiring investment of over £2000 of support under all sections of the Scheme would need to demonstrate they will deliver the required return.

Consultation comment

"Agriculture, in particular offers more than solely food production - we can only assume that the funding within all of these separate schemes will NOT address or support other aspects of farming such as biomass production, agri-environment projects, tourism projects, building conversion etc which all help to make farm businesses both viable and sustainable - in the UK 57% of farms have a diversified income according to DEFRA figures. It is stated in the consultation that the aim of this proposal is to ensure "DEFA schemes related to food, farming and fishing are aligned to Government's key strategies; Agenda for Change, Vision 2020, Food Matters, Digital Strategy etc" – no mention here or recognition of non-food related agricultural activity."

DEFA Feedback

It is anticipated that projects such as Biomass and tourism could be supported by the existing DED Scheme. Projects such as building conversion for farm shops etc would be covered under the Food Business Development section of the new Scheme.

DEFA has always acknowledged that Agri-environment Schemes offer a target and effective way of supporting the maintenance and provision of desirable habitats, however within the current financial climate on the island no money is available for such a Scheme and it is also regrettable that there is currently no appetite within the industry to see moneys diverted from core payments towards supporting such a Scheme.

DEFA acknowledges that farm incomes in the UK are supported by diversification activity; of the 58% of farms in 2013/14 the UK with diversified activity as an income source 67% derive some, or all of this income from the letting of buildings for non-agricultural use.

Consultation comment

"It is very important that the budget associated with the Food Matters Strategy (which the MNFU supported), and which was modulated from direct agricultural support needs to demonstrate that it is delivering the aims of the Strategy and to ensure that it is increasing the GDP of the Food and Drink sector on the Island. If the budget is "hidden" within an "umbrella" grant structure, it is not clear to see whether it is a Strategy which is delivering long term benefits to the economy and culture of the Isle of Man."

DEFA Feedback

Agree this is a core requirement and the new Scheme has been created to deliver Food Matters and Future Fisheries. The Agricultural and Fisheries Grant Scheme will require that investments made under all four sections of over £2,000 deliver a tangible return and once a project has been completed the Department will require that a report is produced which can demonstrate the financial benefit gained.

Yet again it must be stressed that the sections will have individual budgets and how these budgets are spent will be completely transparent.

Consultation comment

It is stated that "where food and drink businesses do NOT use local primary produce as it is unavailable, grant aid may still be available" – we have grave reservations about this proposal and would therefore propose that where a business does not intend to use local produce it should be considered by DED for support, as surely DEFA has a duty to support LOCAL produce. We are all aware of the many claims by businesses that purport to use Manx produce – indeed we remain intensely frustrated that there has been no progress by DEFA in implementing a Manx produce label with accompanying legislation so that the consumer can be assured that they are buying local food with confidence. We would also be extremely concerned that a business may state they intend to use local produce in their business plan and then use what they want – clear enforceable labelling is urgently needed and has been raised as an issue for many years."

DEFA Feedback

It is intended that the Agricultural and Fisheries Grant Scheme is complementary to existing DED support Schemes; Businesses setting up in food processing type activity would fall under the existing DED Micro business grant scheme and therefore wouldn't fall within the scope of the proposed new Scheme.

DEFA has always supported local primary production and projects that demonstrate use of, or added-value to predominantly local primary produce will attract higher levels of funding. Projects using no, or limited primary production will be assessed, but are likely to attract a low level, or no grant support unless knock on benefits can be demonstrated for the benefit of the agricultural or fisheries sectors.

DEFA are actively investigating the production of a provenance label and are within months of agreeing such a thing within the industry; the tricky bit within this however is finding a funding stream which will support the policing of such a Scheme; there is little point in a provenance label without effective regulation.

Consultation comment

"We need complete transparency about whether all of these grant schemes are to become available to the fishing industry. We are supportive of that industry getting support to help them be sustainable, viable and be able to grow their businesses and would hope that DEFA would make a very strong case to Treasury on their behalf BUT we are seriously concerned if these schemes which have been funded from the Agriculture budget are to be opened up to that industry. With current low commodity prices and reduced returns to farm businesses, the farming industry cannot afford additional reductions to its budget."

DEFA Feedback

DEFA have been completely clear from the outset that the 'Food Business Development' section of the Agriculture & Fisheries Grant Scheme will be open to the fishing industry, as will the 'Information gathering business research activity'(formally 'seeing is believing' which has been woefully underspent since its inception.

The FHIS element of the new Scheme will be 'ring fenced' for eligible agricultural activity; however it must be recognised that this fund isn't an income stream for 'same as' type activity but investment that will create greater income for the industry.

Consultation comment

"Our understanding is that the Fishing industry will be able to access all of these grants as they are pushed under the umbrella of one scheme yet we understand the fishing industry has had a total budget for grant schemes in 2015/16 of £39,000. Will DEFA be seeking additional budget for the fishing industry to fund something akin to the EMFF which this proposal appears to be seeking to do?"

DEFA Feedback

Treasury have been very clear with the Department that for the foreseeable future no extra budget will be available for new initiatives; however it is not the intention of the Department to divert money from the FHIS into the fisheries industry.

Consultation comment

"Another noticeable anomaly between the proposals of eligibility for the fishing industry and those for farming appears to be the ability for the fishing industry to purchase "second hand fishing vessels", yet FHIS does not allow for the purchase of second hand machinery."

The Agricultural and Fisheries Grant Scheme goes some way to addressing the issue of supporting the purchase of second hand equipment, as far as Agriculture and Horticulture is concerned in many cases such investment will where of appropriate quality will be eligible for grant support. However reflecting the nature of investments and heightened Health and Safety concerns Fisheries grants would be for new equipment only. DEFA has no intention of grant aiding of the purchase of second hand fishing vessels.

"No budgetary provision is shown in this consultation document, yet when DEFA responded to recent criticisms, comments were made that there would be additional funding. Where is this from, what is this funding? We understand that although the DEFA Service Delivery Plan indicates a budget of £340,000 for FHIS for 2016/17, this budget has in fact been cut? – Please confirm."

DEFA Feedback

The FHIS budget for 2016-17 is to be £200k with an additional roll over of unspent funds from last year of approximately £48k.

Consultation comment

“The proposals outlined in this document suggest that there will no longer be a five year residency requirement for assistance with on-farm capital investment – we do not believe that this should be implemented and strongly oppose the suggestion. New businesses to the Island should be handled by DED who have the expertise in that field and can carry out the necessary due diligence. It could result in the whole budget being used on one large business moving to the Island especially if this is also accessible to the fishing industry as suggested and this budget is also being used to address the lack of an equivalent scheme to the EMFF (European Maritime and Fisheries Fund), where the level of grant is up to £200,000.”

DEFA Feedback

The Agricultural and Fisheries Grant Scheme is intended to support investment in Agriculture and Fisheries. The Department takes the view that it is not beneficial for the development of the food industry for such a scheme to be unavailable to new residents to the Island, hence the change to the residency requirement for Agricultural businesses. The residency requirement for the fishing industry has also been removed, however there is a requirement for eligible persons to be resident in the Island for tax purposes, which ensures there is Exchequer benefit to all grant-aided investments..

Large scale businesses are and still would be eligible for support under existing DED Schemes

Consultation comment

“What safeguards are there to re-coup grant money if awarded to a business which then leaves the Island within a five, ten or fifteen year period (capital write down period). In this consultation it is proposed to remove the residency requirement for agricultural applicants but yet retain the existing criteria for fishermen which suggest “they must have been ordinarily resident for five continuous years”. This proposal actively discriminates against agricultural businesses.”

DEFA Feedback

The safeguards within the current FHIS will remain in place to allow funds to be recovered if such action is felt to be appropriate and proportionate.

Consultation comment

“There appears to be a desire to open up the limited agricultural budget to non- farming businesses, even businesses with no performance record on Island, yet the Island still has no sort of agri-environment scheme unlike neighbouring jurisdictions which would target support to farm businesses which undoubtedly are facing major financial challenges in the current economic climate with low commodity prices.”

DEFA Feedback

DEFA does not consider that an existing performance record should be a requirement for eligibility for support, however if a business were to be relatively new they would still have to meet the requirements for business plans and be able to demonstrate suitable returns for the investment.

DEFA has always acknowledged that Agri-environment Schemes offer a targeted and effective way of supporting the maintenance and provision of desirable habitats, however within the current financial climate on the island no money is available for such a Scheme and there is currently no appetite within the industry to see moneys diverted from core payments towards supporting such a Scheme.

Consultation comment

“It does not appear that there is any intention to offer grant assistance to primary produce which is exported off Island yet to quote the Tynwald Approved Food Security Strategy; “Profitable export of primary and value-added products, whilst not explicitly key to the Island’s food security, provides a sustainable platform for the continued operation of Island businesses. This is important in delivering the economy of scale required to compete effectively with imports and to optimise the operation of businesses that might not function at full efficiency if only serving the local market.” It appears that the export of primary produce is accepted and fully recognised to be absolutely key for the very survival of many Island businesses and if these schemes are to have value, support and clear definitions should be clearly demonstrated.”

DEFA Feedback

The Manx Government supports the export of primary and value-added products from the Island by ensuring that competent transport links are maintained by the sea of air.

A higher level of grant support towards production of a profitable primary product, or adding-value to a primary product that is destined for export markets is anticipated.

There is no support towards export costs as case law determines this to be contrary to Protocol 3 as it distorts competition.

Commission Decision (2000/625/EC), on the aid scheme implemented by Ireland to promote the transport of Irish livestock by sea to continental Europe, makes clear the situation if shipping from the Isle of Man was to be considered an export from one Member State to another. Paragraph 103 of this Decision states, ‘Since the transport of goods to export markets is a normal, everyday commercial activity, aids which are intended to reduce transport costs must be considered to constitute operating aids. According to a long-standing body of case-law, operating aids cannot be considered to promote the development of any economic sector. They provide the beneficiaries with artificial financial support such as to distort competition and to affect trade to an extent contrary to the common interest. They therefore cannot benefit from the exemption provided for by Article 87 (3)(c) of the Treaty.

Fisheries

Consultation comment

“Scottish fishermen receive European grants for new fishing vessels, second hand fishing vessels and to modernise their existing vessels. Processing factories receive European grants .What does the Manx fishing industry receive from Europe, it receives not one penny .Every Manx fishing vessel operator is at a disadvantage to every other fishing vessel operator who are eligible to European grants, as are owners of Manx processing factories .

Your department operates a pitiful grant scheme for safety equipment where the applicant has to take out a government 5 year mortgage to secure it, even though safety equipment needs renewing every three years.

It is well noted that the Manx farming industry gets grant aid from the European Union and as such the Manx fishing industry should be able to receive grant aid as well but as far as I can see it does not , is there a reason for this as it seems to be discriminated against in not being able to apply for grant aid for new builds, engine replacements and fishing vessel modernisation

DEFA Feedback

As the Isle of Man is not part of the EU and does not financially contribute towards it, there is no EU grant aid allocated to the Island and this is equally true for the agriculture sector. Future Fisheries, the 5 year strategy for the sustainable development of the Isle of Man's sea fisheries and marine environment approved in November 2015 recognises the difficulties faced by industry over the past few years and aims to provide opportunities to develop and safeguard the future of the sector. The Department plays a significant part in achieving this, as does industry itself. The limitations of the current Fisheries Financial Assistance Scheme have been recognised and the new Agriculture and Fisheries Grant Scheme aims to ensure greater flexibility in securing support for the catching and processing sectors to continue to work towards developing truly sustainable fisheries.

Consultation comment

The stated aims of the Agriculture and Fisheries Grant Scheme will hopefully ensure that Fisheries is given fair access to funding for a vital and traditional Manx industry and one that contributes significantly to the Manx economy and level of employment.

Therefore the proposal in this consultation that there is a Fisheries Capital Investment Scheme is vitally important to The Manx fishing industry. The Manx Fish Producers Organisation has consistently promoted and encouraged sustainable fishing and any financial assistance will help in this regard as well as helping to improve the productivity and efficiency of the Manx vessels. Any grant scheme does however need to be accessible, which the current scheme is not. It also has to be a significantly larger fund than at present otherwise it will have little noticeable effect. There are many innovative and forward thinking people within the fishing industry who just need assistance in order to be able to move their businesses to the next level.

Ideally the Capital Investment Scheme should also encompass support for the purchase of more efficient and better equipped replacement vessels which would improve efficiency, productivity and profitability as well as significantly reducing the carbon footprint.

DEFA Feedback

It has been recognised that the current Fisheries Financial Assistance Scheme is outdated and the revised Fisheries Grants will be more accessible and flexible to support the industry in developing and increasing its contribution to the local economy. Fisheries Grants funding will focus on provision of support to facilitate sustainable fishing methods, provision or improvement of safety equipment, provision of support to enable improved or new skills, provision of support to encourage import substitution and provision of support to assist diversification from current fishing activity. Support will not be directed towards new or replacement vessels; this support to the sector was withdrawn several years ago.

The fishing sector will have access to the Food Business Development Grants and the Knowledge and Innovation Grants, to encourage those in industry to be innovative in considering diversification and to embrace new training and education opportunities.

Consultation comment

It is also essential that 'Young Fishermen' are recognised just as 'Young Farmers' have been for many years. There is no doubt that the Manx fishing fleet is getting older and while some businesses will be passed onto the next generation, there is currently little support for newcomers who have served their time in the industry, but have no family connections within the fishing fleet, and yet are looking to run or own their own fishing vessels. Of course this also has to be combined with a willingness for DEFA to support 'Young Fishermen' through the granting of additional fishing licences.

DEFA Feedback

The Agriculture and Fisheries Grants Scheme recognises both 'Young Fishermen' and 'Young Farmers', with the aim of providing appropriate support to newcomers to the industry.

Consultation outcomes

From responses received, it appears the key message may have been misinterpreted as an attempt by DEFA to divert agricultural support towards fisheries and niche food businesses; this is not the case.

The intention is to maintain the monies currently allocated to each of the schemes and to create one overarching piece of legislation under which the four sections of support fit.

The structure of the new scheme will allow DEFA to re-prioritise grant support within each industry without the need to revert to Tynwald. It also contains within it a robust financial appraisal process ensuring that grants awarded give good value to the taxpayer. All four sections within the Agriculture and Fisheries Grant Scheme will be allocated specific budgets.

The new Scheme will align the current agriculture and fisheries capital grant schemes with Food Matters and Future Fisheries strategies, to provide assistance to the Island's farming, fisheries and food sectors to facilitate sustainability through diversification and the development of added value products; and encourage the improvement of skills.

The key principle of the support will be to incentivise investment in innovation, efficiency and change to help the food industry become more sustainable and less reliant on ongoing support.