

THE FINANCIAL ASSISTANCE FOR YOUNG FARMERS (NORTHERN IRELAND) ORDER 2004

S.I. 2004 No. 3080 (N.I. 21)

EXPLANATORY MEMORANDUM

MAIN ELEMENTS OF THE ORDER

7. The Order essentially gives enabling powers to the Department to provide financial assistance to young farmers. The Order does not specify how assistance will be provided or, other than with respect to age (under 40s), who is eligible, leaving this to the subordinate legislation which will be the subject of a separate consultation at the end of this year.
8. It is intended that the powers to make subordinate legislation contained within this Order be used to introduce a New Entrants Scheme which is to be implemented as outlined below in paragraphs 12-19.
9. It will be a requirement of the Scheme that the assistance provided should be used for an 'agricultural' purpose on the holding in relation to which the loan is obtained, with a view to promoting additional farm investment which will add value to farming in Northern Ireland. It is important that the Scheme should not adversely affect existing farming activities.
10. It is proposed that assistance will be in the form of an interest rate subsidy on capital loans obtained from lending institutions. The commissioned research study (Caskie *et al.*, 2002) concluded that the interest rate subsidy option represented much better value for money compared to the single premium option available, in that the interest rate subsidy would be more effective at increasing the productive potential of the farm business. Furthermore, the interest rate subsidy option also has advantages in terms of tying the assistance to commercial decisions, requiring applicants to present a business plan to lending institutions and to demonstrate a commitment to the development and expansion of their farm with a view to maintaining viability. Participants will be required to pay back the capital to the lending institutions, with the Department subsidising interest payments up to a maximum interest rate and to a maximum amount of €25,000 (or a proportion of the interest on the loan, if this is less than €25,000). A maximum interest rate for the scheme will be determined at the outset and will be subject to periodic review. If the interest on a loan were to exceed €25,000 it will be up to the participant to pay that excess. It is proposed that the scheme will be open to applications for 3 years, and the maximum period for interest subsidy will be 5 years. In all cases the maximum Government contribution of €25,000 will apply (or €30,000 – see paragraph 4).
11. It is proposed that the Scheme as described above will be open to applicants who:
 - are setting-up for the first time as head of the holding;
 - are under 40 and can display the required competencies and adequate skills, either at the time of approval of the loan (and interest subsidy) or during the first three years

This Explanatory Memorandum refers to the The Financial Assistance for Young Farmers (Northern Ireland) Order 2004No. 3080 (N.I. 21)

after their loan has been approved, as permitted by the EU Regulation and as assessed by the Department;

- have an economically ‘viable’ holding; and
 - are able to demonstrate that they are aware of, and will comply with, minimum standards regarding the environment, hygiene and animal welfare.
12. Applicants will be required to retain documentation for the duration of the loan for verification purposes. Loans may be taken out for any period but the interest subsidy will be payable for a maximum of 5 years. Loans must be identified and accounted for in a separate specific loan account. If the farm for which the loan is obtained is disposed of or transferred within 5 years (or another period to be determined) of the last interest subsidy payment, then claw-back provisions may apply.
 13. The Scheme will not cover loans for land purchase nor, in most cases, for the purchase of conventional farm machinery. However, projects which add value, are innovative and involve the purchase of machinery (and/or leasing of land) will be considered.
 14. Applicants will be required to submit a business development plan, including a specific project proposal, and a personal development plan indicating how competence requirements will be met (if unable to demonstrate adequate skills and competence at the outset) when seeking the loan.
 15. Applications must be made simultaneously to the lending institution and the Department, with all necessary supporting documentation, including the business plan and personal development plan. Lending institutions will screen applications on commercial grounds. DARD will not have any role in this, but will screen applications to ensure they meet the other criteria and will wish to satisfy itself that there is a positive economic benefit from the project.
 16. The Department will, on request, assist applicants in preparing loan applications, including the business and personal development plans, and in making assessments of farm viability. Applicants may, of course, obtain such assistance from other sources.
 17. Guidelines on age limits, interpretation of terms such as ‘agriculture’, ‘head of holding’ and ‘setting up for the first time’, as well as for determining acceptable levels of occupational skills and competence, economic viability and minimum standards regarding the environment, hygiene and animal welfare are detailed in Appendix A of the Equality Impact Assessment.