



EUROPEAN COMMISSION

Brussels, 25-07-2002  
C(2002) 1781

**Subject: State aid No N 70/02 – United Kingdom (Northern Ireland)  
Organic Housing (Conversion of Animal Housing) Scheme**

Sir,

I have the honour to inform you that, having examined the information supplied by your authorities on the aid scheme for converting animal housing, the Commission has decided to raise no objections to the State aid scheme in question.

**In reaching this decision, the Commission based itself on the following considerations:**

## **I. PROCEDURES**

The measure was notified by letter dated 9 January 2002, registered on 14 January 2002, by the Permanent Representation of United Kingdom at the European Union. Additional information was supplied by letter of 2 May 2002, registered on 6 May 2002.

## **II. DESCRIPTION**

### **1.1. Title**

Organic Housing (Conversion of Animal Housing) Scheme

The Right Hon Jack Straw MP  
Secretary of State for Foreign and Commonwealth Affairs  
Downing Street  
LONDON SW1A 2AL  
United Kingdom

## **1.2. Budget**

2001/2002: £ 600,000

2002/2003: £ 600,000

2003/2004: £ 800,000

## **1.3. Duration**

Until 31 March 2004

## **1.4. Beneficiaries**

Farmers in Northern Ireland

## **1.5. Measure**

The scheme is designed to encourage organic farming in Northern Ireland. The conversion from conventional farming to organic farming requires significant investment in the quality of livestock housing in order to meet the organic standards.

The activity of organic farming in Northern Ireland is at a very low level compared with Great Britain or other Member States. The comparative figures for total agricultural land in, or in conversion to organic production, are: Northern Ireland 0,09 %, Great Britain 0,5 %, Germany 2,1 % and Austria 8,9 %.

The investments pursue the objectives of organic production and improvement of hygiene conditions and animal welfare.

The investment aid is available to farmers in Northern Ireland who wish to convert from conventional production methods to organic production methods, who are already in conversion or who have already converted. Applicants must demonstrate a firm commitment to organic production methods through the application to, or possession of organic or in-conversion certification status from an inspection authority recognised by the United Kingdom Register of Organic Food Standards (UKROFS). The number of recipients is estimated at 150 to 200 farmers.

The following investments are covered by this scheme: replacement, conversion or construction of livestock accommodation, including mobile housing for pigs and poultry, to meet the organic standards, provision of storage facilities for farmyard manure; and provision of storage for bedding materials. The eligible expenses are limited to construction or improvement of immovable property, new machinery and equipment, and general costs, such as architects, engineers and consultation fees, feasibility studies, up to 12 % of the expenditure referred to above.

The aid measure is financed from the Executive Programme Funds of the Executive Committee of the Northern Ireland Assembly.

The scheme will be managed and implemented by a Management Group drawn from the Department of Agriculture and Rural Development, Northern Ireland. The uptake and impact of the scheme will be monitored on an on-going basis and through recognised project evaluation methodology.

## **1.6. Legal basis**

Administrative Scheme, in accordance with Article 16 (1) of the Agriculture and Fisheries (Financial Assistance) (Northern Ireland) Order 1987.

### **1.7. Aid intensity**

The maximum aid rates are 40 % of the total costs or 50 % in less-favoured areas, subject to a maximum grant payable of £ 30,000 per applicant. Aid for investments complying with the Council Regulation No 1804/1999 can be increased by 20 or 25 percentage points respectively.

### **III. EVALUATION**

Under Article 87 (1) of the EC Treaty, aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods is prohibited, insofar as it affects trade between Member States. It is clear that there is an important transborder trade in livestock.

The aid measure is financed from the Executive Programme Funds of the Executive Committee of the Northern Ireland Assembly.

It favours certain enterprises of the livestock sector in Northern Ireland. It is therefore liable to distort competition and to affect trade between Member States.

Therefore, Article 87 (1) of the EC Treaty applies. According to Article 87 (3) (c) of the EC Treaty aid to facilitate the development of certain economic activities or of certain economic areas can be regarded as compatible where such aid does not adversely affect trading conditions to an extent contrary to the common interest. Concerning this aid, point 4 of the Community guidelines for state aid in the agriculture sector<sup>1</sup> (hereinafter: Community guidelines) applies.

Aid for investment in agricultural holdings is meant to contribute to the improvement of agricultural incomes and of living, working or production conditions. The present scheme pursues the objectives of improving the natural environment, hygiene conditions and animal welfare (point 4.1.1.1 of the Community guidelines). The activity of organic farming is at a very low level in Northern Ireland. The majority of activities to be supported will be conversion and construction activities. The replacement of buildings is limited to those cases where the existing building cannot be modified in order to meet the standards for organic farming.

Eligible for support are farmers wishing to convert from conventional production methods to organic production methods, those who are already in conversion, existing organic producers, particularly those who have received organic certification within the 24 months preceding the date on which this scheme opens for applications, or those who wish to convert further areas of land on their holding to organic production.

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<sup>1</sup> OJ C 232, 12.8.2000, p. 19.

The applicants must demonstrate occupational skills and competence (point 4.1.1.3. of the Community guidelines). The applicants will be required to have a valid in-conversion or organic certificate of registration issued by an organic certification body which is approved under Article 9 of Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs<sup>2</sup> and which is authorised by the United Kingdom Register of Organic Food Standards (UKROFS). The assessment of occupational skills and competence will take place as part of the process for application of an organic or in-conversion certificate of registration.

The United Kingdom authorities have given assurances that aid will be granted only to agricultural holdings demonstrating that they are economically viable (point 4.1.1.3. of the Community guidelines). The business must have a positive net worth at the time of application supported by a three-year budget demonstrating a positive cash flow.

The holdings must comply with minimum Community standards regarding the environment, hygiene and animal welfare (point 4.1.1.3. of the Community guidelines). Aid will also be granted for investments in order to comply with the recently introduced standards for animal housing (Council Regulation (EC) No 1804/1999 of 19 July 1999 supplementing Regulation (EEC) No 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs to include livestock production<sup>3</sup>).

The aid is granted mainly for investments having as their objective the conversion from conventional to organic farming. In most cases a change in production from conventional to organic products will be supported. The United Kingdom authorities have done intensive market research showing that normal market outlets can be found. The market outlets for organic production in Northern Ireland are growing from a low base.<sup>4</sup> The UK organic food market is likely to grow from £ 1 billion in 2002 to £ 3 billion by 2005. The scheme is thus supporting aims that respond to changing market conditions.

According to point 4.1.1.5 of the Community guidelines, the eligible expenses are limited to construction or improvement of immovable property, new machinery and equipment, and general costs, such as architects', engineers' and consultants' fees and feasibility studies, up to 12 % of the expenditure referred to above.

The scheme respects the maximum rates of aid for investments in agricultural holdings. The aid is limited to 40 %, or 50 % in the less-favoured areas<sup>5</sup>, as defined in Article 17 of the Rural Development Regulation<sup>6</sup> (point 4.1.1.2 of the Community guidelines). A rate of 60 %, or 75 % in the less-favoured areas is allowed for investments that comply with newly introduced minimum Community standards. The

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<sup>2</sup> OJ L 198, 22.7.1991, p. 1.

<sup>3</sup> OJ L 222, 24.8.1999, p. 1.

<sup>4</sup> Cf. Northern Ireland Rural Development Plan.

<sup>5</sup> In Northern Ireland, 61 % of the total land area or 826,000 hectares are classified as less-favoured area.

<sup>6</sup> OJ L 160, 26.6.1999, p. 80.

United Kingdom authorities will apply the higher rate only if the recently introduced standards for animal housing (Council Regulation (EC) No 1804/1999) are respected. The increase is strictly confined to the extra eligible costs necessary to meet the objective referred to. The United Kingdom authorities have given assurances that the increase does not apply to investments resulting in an increase in production capacity.

#### **IV. DECISION**

The measure complies with point 4 of the Community framework for State subsidies in the agricultural sector. The Commission decides accordingly that the aid is compatible with Article 87(3) of the EC Treaty.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to disclosure to third parties and to publication of the full text of the letter in the authentic language on the Internet site [http://europa.eu.int/comm/secretariat\\_general/sgb/state\\_aids/](http://europa.eu.int/comm/secretariat_general/sgb/state_aids/). Your request should be sent by registered letter or fax to:

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Directorate-General for Agriculture  
Directorate B  
Office: Loi 130 5/120  
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Fax No.: 0032.2.296 2151

Yours faithfully,  
For the Commission

Franz FISCHLER  
Member of the Commission