

Northern Ireland Affairs Committee

Oral evidence: [Changes to Northern Ireland Renewable Heat Incentive Payments](#), HC 2070

Wednesday 24 April 2019

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Members present: John Grogan (Chair); Maria Caulfield; Mr Stephen Hepburn; Lady Hermon; Ian Paisley; Jim Shannon; Sir Desmond Swayne.

Questions 1 - 91

Witnesses

I: Justin Coleman, Agri Business and Live Production Services Director, Moy Park.

Examination of Witness

Witness: Justin Coleman.

- Q1 **Chair:** Good morning, Mr Coleman. You are very welcome indeed to give evidence to us today. We will begin our proceedings today extraordinarily, in memory of the life and work of Lyra McKee, who was so brutally murdered last week and whose funeral is in Belfast today. I am going to ask the Committee in a moment to begin our proceedings with a minute's silence in her memory, perhaps reflecting on the importance of the freedom of the press in our society, but also on Lyra's personal philosophy, as recalled only yesterday by her family, that the only way to overcome hatred and intolerance was with love, understanding and kindness. I would ask the Committee to stand in her memory for one minute.

A minute's silence was observed.

Thank you. I should also welcome Sir Desmond Swayne to our meeting today. This is the first meeting he has attended. I should just explain that I am chairing today's meeting in the absence of our Chair, who is himself attending a funeral this morning. Mr Coleman, before we begin the questions, would you like to briefly introduce yourself and your role within the company?

Justin Coleman: Good morning. My name is Justin Coleman. I have been in Moy Park for approximately six years. My official title is agri business and live production services director. I hold a position on our executive leadership board doing that role. I have been in that role for a year. In a nutshell, that covers everything that goes into a chicken: everything from nutrition, infrastructure, health, wealth, well-being, welfare to management. It covers the breadth of everything that goes in to producing 6 million birds a week and approximately 10 million hatching eggs a week from a technical point of view.

- Q2 **Chair:** Thank you very much indeed. I will ask the first question. It is a very important company, not just in Northern Ireland but in the United Kingdom. How would you characterise the relationship between Moy Park and its farmers? Is it a paternalistic relationship? How would you characterise and describe it?

Justin Coleman: We have two or three different relationships. Northern Ireland is a distinct contractor-grower model, where Moy Park provides technical services, feed and chicks and then provides the wherewithal and the knowhow for growers to achieve and perform. In the GB model, we have a few different options. There is something called business tenancies, where we lease farm buildings and put in the infrastructure and the management. We have things called poultry-rearing agreements, where the growers provide the space and the labour and we provide the



HOUSE OF COMMONS

other things. We then have a pure contract model, where we would just buy chicken on a square footage basis.

Our relationship with growers is different depending on where you are in the world, but from a Northern Ireland point of view it is a contract-model basis where Moy Park provides the bulk of the inputs and assists farmers with technical knowhow and financing to farm.

Q3 Lady Hermon: You are very welcome here this morning. Thank you for coming to give us evidence. Can I just confirm whether in fact you were in post—and we are very pleased to see you here—when the RHI scheme was introduced in Northern Ireland?

Justin Coleman: Not in this particular role, no, but I was in Moy Park.

Q4 Lady Hermon: Yes. Were you aware of the RHI scheme at the time of its introduction?

Justin Coleman: Yes.

Q5 Lady Hermon: How did your suppliers become aware of the RHI scheme?

Justin Coleman: In terms of our growers?

Lady Hermon: Yes. Did they read about it in the news?

Justin Coleman: It would have been a combination of a host of things. They would have read about it in the news. We launched at that stage something called Plan to Grow. We were planning to expand our businesses substantially, and that came at around about the same time as the RHI scheme was being introduced into Northern Ireland and GB.

Word of mouth would have spread pretty significantly. “Here is a scheme. The incentives are being offered by the Government”. We were spring-boarding our growth plan at that stage. Part of the specification of that growth plan was to heat poultry houses with what we would call dry heat or hot water heating. They really came together. As growers became comfortable with it, word of mouth got out there but, at the same time, our specification on how we heat chicken, whether that be broiler birds or producing fertile hatching eggs, was around how the model of heating has changed from what was an old brooder system to a hot water heating system. There were a number of factors all happening around the same time that came together as RHI was launched.

Q6 Lady Hermon: Was it just word of mouth or was there more to it than that? We have received in evidence emails from poultry suppliers—suppliers of Moy Park, I have to say. I think we have all received emails from suppliers of Moy Park. You have indicated to us that they were strongly encouraged by Moy Park.

Justin Coleman: They were signposted to the RHI scheme. There were always two schemes available to them. There was the heating required to heat a poultry house, which is standard. It always has been and always



HOUSE OF COMMONS

will be. We have offered two options for that. You can take what we would call an LPG boiler and heat the water to heat the house up or you can take up the RHI scheme. It was never that you were forced to do X or forced to do Y. There were always two options available for growers.

Q7 **Lady Hermon:** Do you have documentation that would show that?

Justin Coleman: I would suggest we do, yes.

Lady Hermon: You do.

Justin Coleman: Yes.

Q8 **Lady Hermon:** Do you have some with you today?

Justin Coleman: I have not carried any with me today, no.

Q9 **Lady Hermon:** But you are clearly telling the Committee that Moy Park did not direct its suppliers to the RHI scheme in preference to the other alternative.

Justin Coleman: No, the growers had two choices.

Lady Hermon: They always had two choices.

Justin Coleman: They always had two choices.

Q10 **Lady Hermon:** The documentation that you sent out to your suppliers will show that they had two choices.

Justin Coleman: I would suggest it would, yes. A number of the growers would put in both a biomass boiler and an LPG backup boiler. A number of growers would have two boilers in terms of backup as well.

Q11 **Lady Hermon:** How did Moy Park benefit from the RHI scheme? How did Moy Park itself benefit?

Justin Coleman: Moy Park did not directly benefit. RHI as a scheme is around heating up a poultry house, which is absolutely key to growing chicken.

Q12 **Lady Hermon:** Moy Park did not benefit directly but indirectly.

Justin Coleman: Indirectly, yes, along with things like infrastructure. We go back to our thing called Plan to Grow, where we revised how we build houses and what we build them with. Our genetics, management, water treatment and biosecurity are all component parts of technically managing birds. Heating systems and/or the way you heat a poultry house would be one of those. It is a component part of a number of things around how you manage this more effectively. Each of those will ensure that the grower does better and Moy Park does better as a result of that. This is one element of an integrated management plan.

Q13 **Lady Hermon:** By how much do you estimate Moy Park benefited indirectly from the RHI scheme?



Justin Coleman: It is very difficult to put a number on it.

Lady Hermon: Try. I am sure it is somewhere.

Justin Coleman: It will be measured in things like feed conversion, mortality or average daily gain. Those will include things like the nutritional pack et cetera. If a grower improves his feed conversion by a point, Moy Park will get half and the grower will get half, for argument's sake. It is very difficult to say, "RHI will have benefited the grower or Moy Park by X". RHI per se would not have changed the landscape; the heating system would have changed the landscape. The way the heat was generated is the debate on RHI, not all the management components that go into that.

Q14 **Lady Hermon:** I am sure somewhere, with the sophistication of Moy Park, there is a figure as to how well Moy Park did as a result, albeit indirectly, of the RHI scheme.

Justin Coleman: When there are probably eight or 10 elements that make up the management plan, it is very difficult to put a number on one component part. You could have a RHI scheme or a heating scheme. Without upgrading your housing or your infrastructure, all that heat could escape. That is one point. If you do not focus on things like biosecurity or clean water, you could have a really sophisticated heating scheme but your birds would not be able to take advantage of that.

Again, I go back to the point of it being an integrated management plan as opposed to saying, "RHI benefited Moy Park or poultry grower X by Y". It is very difficult to quantify that. Yes, it improved performance, of which Moy Park always gets an upside, but so does the grower. But that comes with things like genetic improvement and nutritional improvement to unlock the genetic potential. You can have the best plan in the world, but it does not work if your infrastructure does not support that.

Q15 **Lady Hermon:** Are you telling the Committee that Moy Park does not know how much it has benefited from the RHI scheme or are you just telling us that a calculation has not been made because it is so complicated?

Justin Coleman: I would say it is the latter. Definitely, performance did improve, without a shadow of a doubt.

Lady Hermon: Absolutely, yes.

Justin Coleman: Correct, but I am not saying RHI was 100% of the reason for the performance improvement. That was a long programme of an integrated plan, which uplifts performance.

Q16 **Lady Hermon:** The Northern Ireland Office has introduced legislation, as you know, to reduce the tariffs. How is Moy Park responding to that? How is Moy Park going to assist its suppliers, who have these wood-burning boilers?



HOUSE OF COMMONS

Justin Coleman: In reality, Moy Park is not going to bail out a failed Government scheme. The reality is that the reduction of the tariffs is quite significant.

Lady Hermon: It is very significant.

Justin Coleman: Relative to what ROI has launched in the last 10 days, there is no longer parity in the system. That effectively means the Northern Ireland growers are now at a distinct disadvantage relative to growers in the south of Ireland and growers in GB. We are all operating in the same markets, so that says immediately that anyone producing hatching eggs or broiler meat in Northern Ireland is operating in a market with a two-tier system now. That says immediately that the Northern Ireland growers have some significant issues to face into, along with Moy Park.

Secondly, we do have available, and have had from day nought, alternatives for heating. If growers do not want to continue with biomass boilers, they have the option of going back into LPG boilers, which Moy Park funds under our additional housing payment scheme. The challenge around this is that there will probably be a number of growers who are severely impacted financially by boilers that become either redundant or too expensive to run from a biomass point of view.

Q17 **Lady Hermon:** I was very struck by your opening remarks there. You said that Moy Park was not going to bail out a failed Government scheme. Is Moy Park unsympathetic to the very difficult situation faced by its suppliers, which have been very loyal to Moy Park for many years?

Justin Coleman: No, not at all, not by any stretch of the imagination.

Q18 **Lady Hermon:** What is Moy Park going to do?

Justin Coleman: Moy Park still makes available alternative heating so that growers can still heat the chicken through an LPG gas system. Going back to the point, it is not our place to bail out a biomass heating system with a two-tier system relative to GB and ROI. We cannot step in and fund a Government scheme. We can step in and fund a heating system, but we will not be funding a Government scheme.

Q19 **Lady Hermon:** Since the change in the tariffs, how many of your suppliers have contacted Moy Park and asked to be changed on to a different heating system?

Justin Coleman: When we set the housing up, they would have all had two boilers put in. They would have had a biomass boiler and a backup LPG boiler. We pick up through word of mouth that some growers have converted back into LPG, and we are in negotiations with growers now around re-signposting them to the fact that the LPG system is still available if they wish to avail themselves of it.

Q20 **Lady Hermon:** Give us some numbers, please. You said "some". Are these small numbers? Give us some idea of how many people have



HOUSE OF COMMONS

applied to Moy Park to change.

Justin Coleman: They would not change. They would just stop one boiler and switch another one on, because they exist already.

Q21 **Lady Hermon:** Yes, absolutely. Moy Park would need to know which of the boiler systems they are using, presumably.

Justin Coleman: No, we would not. We just need to know that they are putting the adequate amount of heat into those sheds. They would have both boilers on site.

Q22 **Lady Hermon:** Yes, but you have just told the Committee that some of your suppliers have converted back to the older system, the previous system, the backup system that they had.

Justin Coleman: Yes, it would exist on site already. They would switch one boiler off and switch the other one on.

Q23 **Lady Hermon:** Fantastic, so there should not be a problem.

Justin Coleman: Not for the growers, no, but they would be sitting with a debt on the boiler. That is the problem.

Q24 **Lady Hermon:** Yes. Are you saying that Moy Park, having laid out its plan and having been meticulous—it is meticulous in its breeding and rearing of chicks—does not know how many now heat their poultry houses with one system as opposed to the RHI boilers?

Justin Coleman: The law changed on 1 April. There would still be a degree of wood stock getting burnt out. Some growers have indicated that once it is depleted they will change over to gas, for argument's sake, or LPG. I would say that over the next couple of weeks or months we will get a much better idea of how many people are sticking with the system and how many people will be going back to LPG.

Q25 **Lady Hermon:** As of today, how many have indicated to Moy Park that they have gone back to the old system?

Justin Coleman: I would not be able to give you a specific number and say, "X growers have said categorically that they are going back to system Y". I would not be able to tell you that.

Q26 **Lady Hermon:** I am surprised, I have to say. I am very surprised.

Justin Coleman: It is a number that will probably morph over a period of time.

Q27 **Lady Hermon:** Perhaps you could supply that number.

Justin Coleman: We could supply that number as it evolves.

Q28 **Lady Hermon:** Fantastic, so within the next fortnight, by the end of next month and into May, you should have a clear idea.

Justin Coleman: At that point in time, and it may change again.



HOUSE OF COMMONS

Lady Hermon: Yes, well, then you could update the Committee.

Justin Coleman: Fair enough.

Lady Hermon: Thank you very much.

- Q29 **Jim Shannon:** I want to ask you a couple of quick questions. Lady Sylvia, the Member for North Down, has referred to Moy Park's position in relation to this. I have to say—and I am sure you are aware of this; I am not telling you anything that is new to you—that I have heard from people who are concerned with the advice that Moy Park gave them in relation to RHI. Some of them feel that Moy Park gave them advice, but the advice turned out perhaps to be the wrong advice. They now find themselves in a bad financial position. Some of that blame, they say, lies with Moy Park.

Chair, as you said at the beginning, we are very pleased with Moy Park, what it does in its business, the opportunity it gives, the employment it gives, its significant financial contribution to the economy in Northern Ireland and across the United Kingdom, but I want to ask this question. They have asked me to ask this question, so I am going to do it. Do you not feel—I am asking you—that Moy Park has some responsibility for the advice it has given to some of its customers in relation to the RHI scheme, where they find themselves now in a very negative position?

Justin Coleman: I go back to my previous point. The RHI scheme was launched at the same time as our Plan to Grow. Growers had the option of choosing a biomass boiler, an LPG boiler or both to heat their poultry sheds. The RHI scheme was a contract that growers entered into with the Government. Moy Park signposted them to it. "There is a scheme here where growers will benefit from renewable heating incentives. However, we also suggest that you provide a backup boiler on LPG gas".

To answer your question directly and to answer Lady Hermon's question again, is Moy Park going to fundamentally bail out the RHI scheme? No, Moy Park is not. Growers, however, still have the chance and opportunity to heat their chicken sheds with gas through Moy Park's additional housing payment scheme.

- Q30 **Jim Shannon:** Is the scheme you have for people who want to go back to gas or those who were on gas originally but went to the new scheme? Is that a financial incentive to help them go back to gas? Is that correct?

Justin Coleman: That is correct.

- Q31 **Jim Shannon:** Can you ask you what percentage of help is available?

Justin Coleman: It is 95% funded over five years.

- Q32 **Jim Shannon:** That is good. I also want to say that the poultry sector, in particular in my constituency in the Ards peninsula, which had had a fairly downward trend, has seen an upward trend over the last five or 10 years. I know your own company has been helpful in making that happen.



HOUSE OF COMMONS

You were not able to give a number—maybe you gave a number and I missed it—for those who have taken advantage of the scheme to go back to gas.

Justin Coleman: It is not a new scheme. It has been there since before RHI arrived. Again, back to Lady Hermon's point, that number is emerging and unfolding as 1 April tariffs take hold and people are running down stock of pellet, for argument's sake, changing over or taking a view on how they choose to run their businesses.

Q33 **Jim Shannon:** When you get a chance to have the numbers, maybe come back to the Chair of the Committee and let us know how the uptake is going. It is important for us to be aware of that. I am pleased to know that there is 95% grant assistance for that. That is good news for those people who have asked me how that is going to happen.

In relation to the numbers, do you have numbers of all those who took up the RHI scheme through Moy Park or with the assistance of Moy Park?

Justin Coleman: Yes. Off the top of my head, it was approximately 1,100 boilers.

Q34 **Chair:** You have heard mention from both my colleagues of the advice you gave to farmers at the beginning of the scheme, and you referred to it yourself. It is possible for the Committee to have a copy of that advice?

Justin Coleman: Yes.

Chair: Thank you very much indeed. I would be grateful for that.

Q35 **Ian Paisley:** Justin, you are very welcome. I am going to start with a little overview of Moy Park. How many people do you employ directly in food processing in Northern Ireland?

Justin Coleman: In Northern Ireland, it is just a little under 6,000.

Q36 **Ian Paisley:** You then contract a lot of your poultry production to farmers.

Justin Coleman: Yes.

Q37 **Ian Paisley:** How many farm families do you directly employ?

Justin Coleman: We probably have around 640-odd farming families in Northern Ireland. It is something coming up to the 700 mark in small family businesses between broilers and fertile hatching eggs.

Q38 **Ian Paisley:** Is it possible for you to give me a disaggregated picture of the wage bill that Moy Park pays, first of all in terms of its direct payments to food processors, and an idea of what then you pay the farmers?

Justin Coleman: The direct wage bill in Northern Ireland is probably coming up to something under £150 million per annum. Of the 600 farmers, annualised on the terms of negotiation, excluding feed and chick, we would be paying those farmers around £60 million per annum



HOUSE OF COMMONS

in terms of management fees and consumables. It is £200 million-odd going in directly excluding feed and chicks. Moy Park carries the cost on those.

- Q39 **Ian Paisley:** For that investment, I understand Moy Park produces about 30% of the fresh poultry meat market in the UK.

Justin Coleman: Breaking that down a little further, it is about 30% of poultry meat production. If you take the regions that produce broiler meat in Northern Ireland, Northern Ireland is probably responsible for around 12% to 14% of UK poultry meat production and approximately 27% to 28% of the fertile hatching egg production in the UK. It is significant in terms of the UK poultry sector.

- Q40 **Ian Paisley:** Northern Ireland, of course, prides itself on being a brilliant food producer. You are a key part of that, as well as a key employer. In one of your answers you mentioned economic disadvantage as a direct result of the 1 April scheme; let us call it that. You might call it the April fool's scheme. I understand the Republic of Ireland has just produced its figures. It is going to be paying farmers something like €39,000 per annum for a scheme identical to that run in Northern Ireland previously.

Justin Coleman: Correct, yes.

- Q41 **Ian Paisley:** In GB, it will be about £18,000 per annum. In Northern Ireland, it will be £2,000 per annum.

Justin Coleman: That is correct.

- Q42 **Ian Paisley:** The economic disadvantage is obvious for people to see. You have described it as a "failed Government scheme". For the record, do you believe that failure is a direct result of the Department?

Justin Coleman: There are probably a number of things that led up to that. It was probably designed poorly. It was probably governed poorly in the early stages. There have probably been two or three distinct knee-jerk reactions as a result of the teething problems it faced in the first two years, and it has now significantly overcorrected. Building on that point, creating a two or three-tier system in the same market is going to place those growers at a distinct disadvantage. That, for me, is the biggest risk we face here.

You have called those numbers out: the ROI scheme, which is the same scheme; the GB financial incentives; and Northern Ireland providing basically enough to cover maintenance of those boilers. This places that 15% of broiler meat production and 20% of hatching egg production at a distinct disadvantage. We know the market always tends to correct around those things. For me, that is the significant risk. To answer your question directly, the early stages and the early teething problems in the introduction of the scheme and the overcorrection are what has caused this issue we face today.

- Q43 **Ian Paisley:** Farmers and direct producers would see this overcorrection,



HOUSE OF COMMONS

as you call it, or rebalancing, as punishment driven by the Government decision of 1 April. Do you agree that it is punishment? Let me put it a different way. Do you agree that it could be perceived by them as punishment?

Justin Coleman: It can be perceived as punishment. Sitting back and taking a slightly more macro view on it, from our point of view—I speak from our point of view; I am certainly not speaking on behalf of growers when I make this statement—a system that delivers parity to growers in the markets that we are operating in is a good outcome for our business. I am sure growers will have a different view on whether they have been overcorrected or punished on that. If we are operating in a system that is delivering parity, at least we know that growers are competing on an equal footing. For us, that has to be the baseline on this.

Q44 **Ian Paisley:** Do you trust the Department to get it right?

Justin Coleman: On current evidence and current form to date, it is tricky to see how the Department is going to pull this one back. Our view, again, would be that we need to determine a mechanic and a mechanism to get the scheme to parity with GB.

Q45 **Ian Paisley:** They got it wrong the first time, and there is clear evidence of that. They have now overcorrected, to use your word. The overcorrection is not getting it right. Getting us back to a position of equilibrium is going to be very difficult, by the looks of things. I personally do not trust the Department; I think it has got this totally wrong. The farmers who contact me say, “We are being punished”. As a person who contributes £100 million-plus to the Northern Ireland wage bill, who is the single largest employer in Northern Ireland, this is devastating for your company, I assume, given that you have to deal directly with these people.

Justin Coleman: It is devastating for our business. It is even more devastating for those 600 small family businesses who signed up in good faith to a Government scheme. To play back your words, they are now being over-punished for a scheme that took a couple of years to settle down. The biggest risk around this is really how you create parity in a market. To compete and trade in a market with a two-tier incentive scheme in the same environment is very difficult for growers, because, whatever happens, they are always on the back foot.

Q46 **Ian Paisley:** I do not quite understand the Department’s analysis as to how it has got to the £2,000 payment in Northern Ireland vis-à-vis a £17,000 or £18,000 payment here in GB.

Justin Coleman: Likewise.

Ian Paisley: It claims it is operating within state aid rules in Northern Ireland, hence this payment.

Justin Coleman: Yes.

Q47 **Ian Paisley:** Yet state aid rules apply, as far as I know, to the Republic



HOUSE OF COMMONS

of Ireland and here in GB. Do you understand how the Department has got to that calculation?

Justin Coleman: No, we do not. Again, we are three weeks in from the 1 April law. A bit like you, we are also trying to draw a comparison between ROI, which is also subject to state aid, and GB, which is subject to state aid. Even between ROI and GB, there are significant differences in their numbers. Northern Ireland seems to be right at the back of the queue in terms of how the application or interpretation of state aid has been deciphered. We are still trying to work through how that number has been determined.

Q48 **Ian Paisley:** The Chair asked for your Plan to Grow. I have your Plan to Grow, which was published in December 2013. It is the document *Standard Plus Farm Chicken Capital Expenditure and Income Projection for Farms Consisting of Certain Types of Boiler Houses*, and I understand it is available under freedom of information

In that paper your company made it very clear that RHI was a Government-run scheme. Of that there is no doubt. It is there in black and white. You say this: "RHI, once signed, is a 20-year contract and it is inflation-linked. The investment also has some additional tax allowances and your independent financial adviser will calculate this into a 10-year cash flow scheme", for the farmer. You go on to say, "Moy Park does not pay AHP on the biomass boiler installation as the RHI payment is a direct payment to the grower and is self-financing. Banks look favourably on this investment, but we do appreciate that security must be an issue above the £620,000 investment in the main broiler house requirement".

Then you detail the costs of setting up certain types of boilers. The average seems to come out at between £60,000 and £70,000 of investment for the farmer or, if you are going for a woodchip pellet, between £90,000 and £100,000. There is significant cost and investment over a 20-year period, releasing cash flow after 10 years.

Justin Coleman: Yes, backed by Government.

Ian Paisley: This is from the analysis that is produced here.

Justin Coleman: Yes.

Q49 **Ian Paisley:** The Department has told me and my party colleagues—and I understand it has produced it in a paper—that the costs to set this up are between £20,000 and £30,000. Where is it getting such a difference in cost to set up? That seems to be why it has got to the £2,000 mark. Do you understand how it has got to such a low-cost setup in Northern Ireland? Your analysis way back in 2013, when you were signposting people towards this and giving them information, said that it was going to cost £60,000 to £70,000 or, if you go for a different scheme, between £90,000 and £100,000 in investment.

Justin Coleman: I think they have taken only the cost of the boiler. The cost of the boiler itself is £30,000. Forget about the floor that it stands



HOUSE OF COMMONS

on, the shed that it goes in or the silo to keep the pellets. That is before you even get into the poultry shed, and then it is the whole heating system. Again, Moy Park funds that through an AHP. They have taken purely off-the-shelf numbers before you actually commission that boiler and the infrastructure.

Q50 Ian Paisley: That boiler would be the same cost in GB and the Republic of Ireland. I understand only two companies make them anyway.

Justin Coleman: Correct, yes. It is somewhere between £25,000 and £35,000, depending on the type of boiler you buy. There is also all the infrastructure to support that.

Ian Paisley: If the Department tells us it has to operate within a 12% band to comply with state aid rules, it is only talking about the cost of the boiler.

Justin Coleman: Yes.

Q51 Ian Paisley: But everyone else in the Republic of Ireland and here in GB can throw absolutely everything else into that cost.

Justin Coleman: ROI was very generous.

Ian Paisley: It certainly was.

Justin Coleman: It funded concrete; it funded the boiler house; it funded tanks. It funded all the ancillary stuff to make the boiler operational.

Q52 Ian Paisley: It is my contention—we will put it to the Department, but I am interested to hear Moy Park's view—that, if our Department has read the EU state aid rules correctly, GB and the Republic of Ireland are breaking state aid rules; if it has read them incorrectly, our Department is punishing farmers.

Justin Coleman: That is absolutely correct. It depends on which side of the coin you see the debate as to whether ROI and GB are within the law on state aid and NI is sitting outside it, or vice versa.

Q53 Ian Paisley: A lot of your farmers deal directly with banks to make this sort of investment happen. I was reading the *Irish Farmers Journal* from 13 April. Cormac McKervey from Ulster Bank, who I am sure you will know and deal with, has described the Government scheme, the 1 April scheme, in this way. "The biomass now considered on the reduced tariff is now as good as zero". That is the Government incentive. There is zero incentive to go on to this scheme. Is that right?

Justin Coleman: It is as good as, considering the maintenance cost that goes into servicing one of those boilers, particularly if you are talking about the larger boilers. That will just about cover the annual maintenance fee on that boiler.

Q54 Ian Paisley: Last week, I got a letter from Claire Perry, the Minister of



HOUSE OF COMMONS

State in the Department for Business, Energy and Industrial Strategy. She told me this. I was asking about the differences in calculation between what our Department has done and what has happened here in GB. She said—I want to get the quote right—“I must clarify that heat is a devolved matter in Northern Ireland and for this reason the RHI schemes in England, Wales and Scotland are separate from the RHI scheme in Northern Ireland, which is subject to a different set of regulations”.

I kind of understand what she is saying there, but she goes on to make this point. “The basis for calculating the GB and Northern Ireland scheme tariffs is different for both schemes with calculations assuming that RHI technologies will, for the most part, be replacing existing LPG boilers in Northern Ireland and oil boilers in the GB scheme. It is therefore right that the Government offers a higher tariff on the GB scheme as the cost gap between oil boilers and eligible RHI technologies is larger. The design and implementation of the Northern Ireland RHI scheme is a matter for the Northern Ireland Department for the Economy”.

I think she has got that totally wrong. I was under the impression that oil in Northern Ireland was at a higher cost.

Justin Coleman: Yes, without reading the quote or trying to analyse that, the technologies in both NI and GB pre-RHI were similar. You either heated with LPG or, in some instances, people heated with oil or kerosene. However, biomass came around at approximately the same time. The differential in the cost of equipment from one region to another does not strike me as a valid argument, without dissecting that statement completely. It would strike me that there are some inconsistencies in that statement.

Q55 **Maria Caulfield:** Welcome to the Committee. We have all been overwhelmed by the amount of correspondence from farmers and those who signed up to the scheme in good faith. Looking at your biography, you are someone who has extensive international experience. When you saw the details of the RHI scheme before you sent information out to your farmers, did you not think, “The returns on this scheme sound too good to be true”?

Justin Coleman: Not particularly. When a Government backs a scheme, you would not particularly say, “This seems too good to be true”. We referred to this a little earlier. It took a couple of years to get the teething problems out of the way. The emergency tariffs that came in, from memory, around 2017 corrected the scheme to be right around where you would expect it to be. Going on the back of that, if you are employing capital expenditure and you are developing a business case for around a 3% return, which is around 30%, as it is in ROI and GB, that feels about right, insofar as £10,000 or £12,000 for the return per annum on a £30,000 or £40,000 investment in the actual boiler feels about right for the scheme.

We could debate at length whether the tariffs for uncapped early adopters were potentially too high, hence the recommendation in 2017 to



HOUSE OF COMMONS

instigate the emergency tiering. To our mind, that put the scheme back in line with where it probably should be operating. We can see that now from other numbers in other countries: that feels about correct.

Q56 Maria Caulfield: From your point of view as a business, because this was a Government-backed scheme, you had the confidence to say to your suppliers and your farmers. "This is a safe scheme to go into".

Justin Coleman: Absolutely, yes. They entered into the Government contract in good faith, as you would do with any other Government scheme.

Q57 Maria Caulfield: In terms of your farmers, you say you have roughly 700. What sort of discussions have you had with those who went with the RHI scheme in terms of how many of them will be impacted? As a business, you must be concerned about your supply chain. If some of them are going to be in financial difficulties, it would impact on your supply chain.

Justin Coleman: This is where it gets a little technical. We have to break this into two component parts. There is a group of farmers who availed themselves of the 199 kilowatt scheme, which was capped. They came in towards the end of the scheme when all the wrinkles had been ironed out. That scheme is almost directly comparable to GB's scheme. Their rates have been reduced significantly. That group of users was involved in or part of the initial take-up, like the 199 kilowatt people were when there was the whole scandal around "ash for cash" etc. They have been handled particularly badly. The 99 kilowatt scheme was the bulk of our broiler growers.

Post-correction, most growers are at a point where they have got to grips with how the boilers work, how efficient they are and the amount of kilowatt hours they need to generate to grow a crop of chickens or 1,000 birds. The scheme is being pulled down further. The growers are not even angry at this stage; they are all incredibly worried about the longevity of their businesses as a result of this 1 April change.

Q58 Maria Caulfield: As a company, have you made an estimate of how many of your growers and suppliers will go out of business because of this?

Justin Coleman: We have not made an estimate, but we are in almost weekly negotiations with our committees at the moment. Annually, we have a negotiation on what we would term flesh price, so stripping out the cost of feed and stripping out what it actually costs to run a poultry-rearing business or an egg-producing farm. We are really at the point now where every one of those conversations is not around the running of the business; it is, "What is the impact of RHI going to be on my ability to sustain my business, on the back of having four, five, six or eight boilers, which the Government are no longer funding the debt against?" As I say, we are in weekly conversations with growers. They are very worried. I would say that is a collective.



HOUSE OF COMMONS

Naturally, some are going to be more financially exposed than others. Individual growers contact us and say, "I do not know what is going to happen to me", and other growers say, "Thankfully, I am three-quarters paid off". It is going to be a mixed bag, but the reality is that, as a collective, the growers will be hugely worried about how they will sustain themselves if this does not correct itself.

- Q59 **Maria Caulfield:** Can your company see a situation where, if farmers in Northern Ireland are struggling to produce birds because of the financial difficulties that they are in, you would look at changing suppliers to farmers in the Republic of Ireland, from the rest of the United Kingdom or elsewhere in Europe?

Justin Coleman: Certainly not ROI or elsewhere in Europe. Our commitment to our growers in Northern Ireland goes back over 40 years under the scheme. The last thing we would want to do is watch or be party to growers going out of business. However, there is a commercial reality: if there is a two-tier system in place, supporting this failed scheme will only detriment the growers and Moy Park, and effectively place everybody else in that supply chain at risk. It is a really difficult time for both growers and Moy Park around making the right long-term decisions, if this is not rectified.

- Q60 **Maria Caulfield:** Given that it was a Government-backed scheme and you are saying that farmers were more confident in signing up to that scheme because it was Government-backed, what conversations has your company had either with the Department in Northern Ireland or the UK Northern Ireland Office?

Justin Coleman: We have met with the Department for the Economy and the Department for Business, Energy and Industrial Strategy, and had pretty much the conversation we have had here, warts and all. We highlighted to both of them that Northern Ireland produces 15% of the poultry meat and 20% of the fertile hatching eggs. It is not in totality, but there is a distinct risk there from having this two-tier scheme in the same market, which means there is a distinct disadvantage for producing broiler meat and hatching eggs in Northern Ireland to bring to GB.

- Q61 **Maria Caulfield:** What sort of reception did you get from them? Were they sympathetic to the issues?

Justin Coleman: They were sympathetic to those issues. Whether they have the wherewithal to do anything about it is the challenge, hence why this continues to roll on. They understand it is a significant challenge, but can they change it? I do not know.

- Q62 **Maria Caulfield:** To the points Ian made around how the calculation of a 12% return is made, is that something you would like to see changed for the Northern Ireland calculation?

Justin Coleman: For me, the outcome I would like to see for both growers and Moy Park is that the system, the calculation and the rate of



HOUSE OF COMMONS

return ends up being parity with GB or vice versa so we do not have a multi-tier system. The reality is that you do not have to go too far into the south of Ireland, which is under exactly the same rules and regs as Northern Ireland from a state aid point of view, and it is paying out 15 times the value on the same equipment.

Q63 Maria Caulfield: If the payment was made to the GB equivalent, £18,000 instead of £2,000, in your view, would that be enough to support those farmers?

Justin Coleman: In my view, that would be a great endpoint, yes.

Chair: Thank you very much. I think a couple of further questions have occurred to Lady Hermon.

Q64 Lady Hermon: A few questions have bubbled up as Mr Coleman has given his evidence to other colleagues. When the RHI scheme was being introduced, did senior executives within Moy Park meet with the relevant Northern Ireland Ministers at that time? We did have Northern Ireland Ministers at that time, who made these decisions, as you well know.

Justin Coleman: It is a good question.

Lady Hermon: Moy Park is a huge producer and a very successful company. It gives employment to so many people across Northern Ireland. Can we just have a direct answer to a direct question? Did any of the senior executives from Moy Park meet with the relevant Northern Ireland Ministers at the time the RHI scheme was being introduced?

Justin Coleman: I do not believe they did. However, a number of the senior leadership team would have met with them.

Q65 Lady Hermon: Yes, but not the senior executives in Northern Ireland.

Justin Coleman: I do not believe so, no.

Q66 Lady Hermon: They did not meet with any of the relevant Ministers. They did not meet with Arlene Foster, who would have been a key Minister.

Justin Coleman: Again, I cannot speak on their behalf because I do not know the answer to that, but I am sure we could determine the answer and let you know.

Q67 Lady Hermon: Yes, please. That would be a very good idea. Thank you very much indeed. We appreciate you coming along to give the evidence today, but if there are questions you are unable to answer it would be very helpful if we had a supplementary from you.

In response to an earlier question, I was very struck by a word that you used. You said that the reduction in the tariffs was “devastating” for Moy Park but even more devastating for Moy Park’s suppliers. How is it devastating for Moy Park since Moy Park did not have any of the boilers itself? It did not own them. How is it devastating?



HOUSE OF COMMONS

Justin Coleman: At a human level, Moy Park has been working with a number of those families for multiple generations. There have been many growers that are third-generation growing chicken for Moy Park. At a human level, it is devastating for Moy Park.

Q68 **Lady Hermon:** Thank you for putting that on the record. I do know that there are numerous poultry farming families across Northern Ireland who have been intensely loyal to Moy Park.

Justin Coleman: Yes, and vice versa.

Q69 **Lady Hermon:** How is Moy Park assisting and repaying the loyalty of those producers at this stage when they are in serious financial difficulties because of the outlay involved with the RHI scheme?

Justin Coleman: Again, as blunt as this is, Moy Park is not in a position to bail out a failed Government scheme. We will support growers to heat chicken and fund that through an LPG mechanic. We cannot step in and bail growers out for contracts they entered into in good faith with the Government. We will support through events like this, and we will continue to work with our growers and help them convert to LPG, but we will not be funding the failed Government RHI scheme.

Q70 **Lady Hermon:** Bearing in mind the impact that it has, Moy Park must have realised what would happen when the Department for the Economy was proposing to reduce the tariffs as of 1 April. What correspondence was there between Moy Park and the Department, objecting to a reduction in the tariffs?

Justin Coleman: We met with them on two occasions and suggested that it was going to create this unequal marketplace. We did not write to them. We met with them.

Q71 **Lady Hermon:** You did not write to them. You met with them. Were you present at those meetings?

Justin Coleman: I was present, yes.

Q72 **Lady Hermon:** Who else accompanied you?

Justin Coleman: Our CEO.

Q73 **Lady Hermon:** So it was taken very seriously.

Justin Coleman: It was taken hugely seriously and still is.

Lady Hermon: It still is.

Justin Coleman: It still is.

Q74 **Lady Hermon:** How is it being taken hugely seriously at this present time?

Justin Coleman: Again, we come back to everything we have spoken about here for the last hour. We will continue to assist growers with 95% grant funding to come out of the biomass scheme.



HOUSE OF COMMONS

Q75 **Lady Hermon:** You are going to give a grant.

Justin Coleman: It has always existed. It does not address the question that growers have a contract with the Government to support biomass boilers. We are not picking that bill up. That is where the growers are fighting their case through RHANI and through independent counsel.

Q76 **Lady Hermon:** Yes, but Moy Park is providing what sort of subsidy to go back to LPG?

Justin Coleman: It is 95%.

Q77 **Lady Hermon:** These are boilers that have been backup boilers, as you described to me.

Justin Coleman: Correct, they exist already; they are in situ already.

Q78 **Lady Hermon:** Is it your understanding that they have remained in situ even though the producers have moved under the RHI scheme to the wood-burning pellets and all the rest of it?

Justin Coleman: As part of the specification of a house build, you would expect there to be a backup heat system if one failed.

Q79 **Lady Hermon:** Is it a requirement of a contract with Moy Park that you must have a backup?

Justin Coleman: Yes.

Q80 **Lady Hermon:** Presumably, there must be LPG boilers on all the farms connected with Moy Park.

Justin Coleman: The bulk of them would have some sort of backup heating system, yes.

Q81 **Lady Hermon:** Spell out what Moy Park is doing for the farmers who have contacted us. As I say, they have contacted all of us. They are not necessarily constituents, but they have contacted us. In response to my colleague's questions, you said that you were having weekly conversations with your growers and that they are very worried, though you did not feel they were angry. Can I just reflect to you that, from the emails I have received, they are angry? Those who have contacted me are angry with Moy Park.

I do not like to hear that; I am sorry to hear that. I just need to know what, in terms of practical steps, Moy Park is doing at the present time to recognise—not to reward, but to recognise—the loyalty of these producers over so many years.

Justin Coleman: The growers can step in and switch on their LPG boilers with zero notice. That takes the financial pressure off them of having to buy wood pellets to fire up the biomass boilers. That is live, real and operational.

Q82 **Lady Hermon:** In these weekly conversations, that is the advice you are



HOUSE OF COMMONS

giving to the growers.

Justin Coleman: Correct, and growers can choose to take that advice or they can choose to ignore that advice and carry on with what they are doing. At the end of the day, it is their business to run. We can advise them on options available to them.

Q83 **Lady Hermon:** Looking at the long term, you said that Moy Park has to make long-term decisions. Could we ask you to give a very clear commitment that Moy Park is remaining in Northern Ireland?

Justin Coleman: Moy Park will remain in Northern Ireland, yes.

Q84 **Lady Hermon:** That is a definite.

Justin Coleman: It is a definite, without a shadow of a doubt.

Q85 **Lady Hermon:** Even with the difficulties that we are going through at the present time.

Justin Coleman: Absolutely, yes.

Q86 **Lady Hermon:** So there would be an interest in Moy Park supporting its suppliers as best it can in very difficult times.

Justin Coleman: That has been the case for the last 40 years and it will be the case for the next 40 years.

Q87 **Ian Paisley:** Very briefly, Justin, does the way this scheme has been handled potentially mean the end of renewable or green energy in Northern Ireland?

Justin Coleman: It certainly runs that risk, if we do not get our act together. It has been handled particularly badly.

Q88 **Ian Paisley:** The scheme from 1 April has a hardship portion to it. Is it credible?

Justin Coleman: It is a good question. It is a question we have posed. How is the committee going to be made up? What makes up hardship? How do you apply for it? Who audits it? How long does it take? Although there has been a commitment to say that growers will be handled on a case-by-case basis and they will be assisted under hardship, we have no determination of what hardship is, how quickly that will happen and who will be doing the review of what hardship means.

Q89 **Ian Paisley:** They are certainly questions we can put to the Department. I assume from what you have said that you would have designed a hardship scheme that would look very different to the one that is in this piece of legislation.

Justin Coleman: Yes. To go back to the earlier points, the reality is that parity takes away hardship. Parity takes away competition. It takes away multi-tiering. Then you are in a place where the market will determine



that the guys who can perform will make a really good living. Having two tiers creates unequal competition.

Q90 **Ian Paisley:** To understand something about the 1,100 boilers in Northern Ireland and the 800 or 900 farming families, I understand that the vast majority of them would have drawn down their allowance in August 2018 for the current financial year. Under the 1 April scheme, it means that most of them will probably not receive another payment until the first quarter of 2020. For the whole of 2019, under the 1 April scheme, farmers will literally not be paid for another year. Is that your understanding of the situation?

Justin Coleman: In my understanding, there is something around the anniversary date of installation. Whatever happens through the course of 2019 and early 2020, they will get a much lower payment than they have become accustomed to. That would be my understanding of it.

Q91 **Ian Paisley:** Mine is slightly different: they get nothing until February 2020. Very finally, in 2010 Moy Park took over O'Kane Poultry production in Ballymena in my constituency. Last week or the week before you made an announcement about production there. Lady Sylvia has already asked about the future of food production. Certainly, from my discussions with the trade unions, your employees and directly with the company, I am fairly satisfied with what you have told me about the security of production there. Is there anything else you can tell us about why you have had to take that decision, given that poultry is quite a popular protein in the UK?

Justin Coleman: I will answer that in twofold. Yes, our commitment to the North Antrim area is absolutely there and will continue to be there. In the short range, some volume will be taken out of the market. There were some market conditions that were particularly challenging. If you have a look at some of the placement numbers, particularly the Defra and DAERA numbers, for 2018 versus 2019, there is about a 4% reduction in the consumption or placement of broiler birds, so we needed to get to a position where we could right-size our business for current demand. We have a number of ongoing lines of negotiation around volume growth with certain customers. The North Antrim area is where that volume will come back into our business, and our intention is to be running again in January 2020 with that.

Chair: That concludes our evidence session today. Thank you very much indeed, Mr Coleman, for your contribution.