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NFU response to the government's consultation; "Health and Harmony: the future for food, farming, and the environment in a Green Brexit."

Foreword

There are a handful of moments in British history where politics and farming have converged to shape the future of food production on this island. In living memory, two stand out - the post-war settlement enshrined in the 1947 Agriculture Act which aimed to promote stability and efficiency in UK food production, and our accession to the EU in 1973 accompanied by membership of the Common Agricultural Policy (CAP), which has governed the way we farm over the last 45 years.

We are now on the cusp of another pivotal moment, as we leave the CAP and once again take sovereign control of our agricultural affairs.

I am clear on what success will look like. I want British farmers and growers to remain the number one supplier of choice to the UK market, and I want British people to be able to enjoy more sustainable, quality, affordable British food at a range of different prices that suit all incomes. Farmers and growers are proud to produce the wholesome food that sits at the heart of every healthy, balanced diet, and so I welcome the Secretary of State's commitment to creating closer links between food production, health and education.

The UK's short, safe and secure food supply chains lead the world in traceability and food safety. Among its many benefits, this means we can seize the opportunities Brexit will present by growing our international exports abroad, for instance through the "Great" campaign, underpinned by Red Tractor Assurance. We can also define new rules for British procurement, ensuring our schools, hospitals, hotels and restaurants, and all procurement under the government buying standards are, wherever possible, sourcing British assured ingredients.

As farmers we have made great strides over recent years on environmental performance, and we have relentlessly sought to improve our productivity – against a backdrop of tough trading conditions and volatile markets. The record of British farming in recent decades – both as food producers and as guardians of the environment – is a good one. Of course farming, in line with every other successful industry, needs to adapt, respond and continually improve its offering to society. One of the challenges will be to identify the areas where improvement is needed and the most effective ways of achieving it. Central to this is recognition that farmers must be engaged and empowered to design and deliver reform, and a willingness from government to build on the experience of practical farmers in doing so.

To that end, we welcome the opportunity to respond to the consultation. As the UK's largest farming union, representing 55,000 members in England and Wales including 46,000 farming businesses, we have taken great care in canvassing their views in compiling a comprehensive submission. We are confident that our position captures the views of the great diversity of farm businesses across the country, whether large or small, tenant, contractor or farmer-owned, and across the many sectors and generations we represent.

There are three things that have stood out as we've listened to farmers' views on the government proposals over the last two months. Firstly, farmers are first and foremost food producers. While there are a whole host of endeavours we turn our hand to, food production is at the heart of everything we do. Secondly, farmers are ready for change, but they want reform to be fair and equitable across the industry. And thirdly, British farmers are immensely proud of their standards of production and their record on the environment and welfare. Not only is it important that this is recognised and applauded, but also that we ensure, in an uncertain future, we don't take any steps that undermine those high British food and farming standards – standards we know the public values as much as we do.

The voice of British farming

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Many of the proposals in the Command Paper represent a challenge to farming. The NFU recognises that we have a rare opportunity to work with government to construct a positive framework so that farm businesses can continue to deliver for the market and for our society. However, as our response emphasises, we are concerned that the proposals outlined by the government are not always clear and are at times contradictory, with an inherent tension between the government's international trading objectives and its demands of its domestic industry. I, however, am clear: with a level playing field and a positive operating environment from government, UK agriculture can deliver much greater returns to the economy and society in the future.

The government's proposals are an important starting point, signalling an appetite for ambitious reform. Our response highlights the fundamental elements of a new agricultural policy, and we look forward to working with government and all those interested in the future of food, farming and the environment to achieve our vision.

Minette Batters, President

Executive Summary

Guiding principles for reform

The NFU sees reform of domestic agricultural policy as a unique opportunity to put in place the foundations that will deliver a sustainable, profitable and progressive farming and horticulture sector. Farming's future must be at the heart of a dynamic and resilient UK food chain, respected and rewarded both for the food we produce and the public goods we deliver for all parts of society.

In realising this, we believe that the following key principles should be observed by the UK government now and in the future as we reform our domestic agricultural policy and farm support system:

- It should be fair and equitable to all active farm businesses irrespective of size or system,
- It should seek to maintain a level playing field across the UK and with respect to our main competitors,
- It should provide sufficient time and certainty for active farm businesses to plan, as well as opportunities for them to adapt and invest, and
- It should ensure public investment in agriculture remains effective in promoting productivity, providing fair reward for environmental delivery and managing volatility.

Three cornerstones: productivity, environment and volatility

The NFU set out its vision for a future domestic agricultural policy in March 2017, outlining three cornerstones – productivity, environment and volatility – that should form the basis of our future agricultural policy. As we demonstrate in our response, all three of these cornerstones are fundamental not only to an agricultural transition but also to the long term policy framework for agriculture in the UK. In terms of the agricultural transition, it will be vital to ensure farm businesses are sufficiently resilient as they adjust to change, while exploring programmes and measures that can help them improve efficiency and deliver public goods.

In terms of our future agricultural policy, British farmers will continue to compete in a global marketplace underpinned by government support in nearly all countries, including our main competitors under the EU's CAP and in the face of supply chains that often fail to deliver fair returns back to the producer. As long as this remains the case, British farmers should be provided with the means to mitigate volatility and improve their productivity, so they can provide a safe and affordable supply of food while being rewarded fairly for producing valuable public goods.

Our three cornerstones all work together to enable farming to be competitive, profitable and progressive - a sustainable partner within a dynamic UK food supply chain that produces food, energy, flowers and plants. Collectively the three cornerstones are worth more than the sum of their parts. To remove one would critically undermine the effectiveness of the other two. For instance, farms that are best able to manage volatility and poor market returns are much more capable of delivering the environmental goods the public enjoys. Similarly, productivity improvements can be achieved through better, more targeted use of inputs such as fuel, fertiliser and plant protection products. Indeed, these sorts of win-wins have been a feature of UK farming in recent decades, with farmers improving resource efficiency and producing more with less - compared to the 1980's, 31% less nitrogen fertiliser and 55% less phosphate fertiliser was applied in 2016, and the total weight of pesticides applied in the UK has decreased since 1990 and was 48% lower in 2015 compared to 1990.

The future policy of public goods and the role of food production

The government's consultation focuses on establishing a future agricultural policy on the foundation of delivering public goods. The NFU believes that maintaining a robust and resilient domestic food production sector is in the nation's interest and therefore future agricultural policy must support farmers in their role as food producers. In particular, by maintaining a strong and profitable primary production centre in the UK, the public benefits from:

- **A sufficient degree of self-sufficiency.** It is a matter of strategic national interest to ensure that our country can feed itself, and a high level of domestic production in a volatile world is a critical aspect of food security.

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- **A safe and traceable supply of domestic food.** Short supply chains and more direct oversight of food safety processes allow greater control of, and trust in, the food we deliver to consumers, meeting a clearly expressed desire for British food by the British public. A reduction in domestic production would also mean greater reliance on imports from other parts of the world, where we have no control over production standards, so exporting and likely increasing our environmental footprint and impact on animal welfare.
- **Support for jobs, investment and growth.** British farmers and growers are an important part of rural economies, providing jobs and driving growth both in food production and in diversified industries such as renewable energy and tourism. UK agriculture is also the bedrock of a domestic food industry that employs over 3.8m people and, as the UK's largest manufacturing sector, generates £112bn in value for the UK economy.
- **High standards of welfare and environmental goods.** Viable farm businesses mean farmers are able to deliver the sort of environmental outcomes envisaged by the consultation paper. Businesses that are struggling to survive are unlikely to be best placed to devote the time and resource to these important elements of our future policy. With agriculture occupying over 70% of the UK landmass, viable farm businesses play an irreplaceable role in looking after our cherished natural landscapes.

While there may be a debate about whether food itself qualifies as a public good, there are clear justifications for public intervention, both financial and in terms of broader public policy, to support food production in this country.

Farming's role in delivering other public goods

Regarding the other public goods proposed by Defra, the NFU sees an opportunity to adopt farming policies that could better reward farmers for the multiple benefits they deliver to society. All policy measures must first and foremost be straightforward to participate in, be as inclusive as possible and deliver a fair reward and genuine incentive for the work carried out.

The NFU welcomes Defra's focus on improving farm **productivity, profitability and competitiveness** through investment during the proposed agricultural transition, but stresses that this should also remain a key focus in future policy too. The NFU is strong in its conviction that productivity improvements, and profitable farm businesses, are vital in delivering environmental and climate change objectives and do not run contrary to them. Improving productivity is multifaceted and complex. There is no single solution and the NFU believes each of the areas outlined by Defra is important to different degrees for different farms and sectors. However, there needs to be recognition that investments take time to see a return and that this alone is unlikely to ensure profitability in the short to medium term. Improving productivity goes beyond funding for direct capital investment and there are many areas of policy, for example quality labour availability, taxation and planning, that can all help create better conditions for profitable farming. It is imperative that the government takes a comprehensive view of the operating environment farmers are working within and ensures it does all it can to create the right conditions for sustainable growth.

The NFU believes that future **environmental policy** should consist of a mix of incentive schemes, including a farmed environment scheme, complemented by new market approaches where they can be shown to work, such as Payments for Ecosystem Services, and industry-led action to improve environmental delivery. It should also reflect that environmental regulations come with costs. Regardless of delivery mechanism, greater recognition must be given to the value of environmental maintenance in future schemes alongside enhancement, and recognition that early adopters should not be disadvantaged for all of their past efforts to invest in the natural environment.

Future policy should also recognise that environmental challenges are broad and varied, encompassing areas such as flood management, air quality, health and wellbeing as well as landscape benefits, cultural heritage, climate change mitigation and adaptation, soil management, water resources and biodiversity. We believe that all farmland in the UK can contribute to many of these objectives in different ways and this should be reflected in a truly **broad and universal environment scheme**. It is crucial that government recognises that much can be achieved toward each of these environmental objectives through investments in improving farming's productivity. More resource-efficient and profitable production in the UK clearly contributes to the country's, and indeed the world's, environmental objectives. However, this will only be possible if schemes are deliverable, fully inclusive and provide the right level of financial incentive, which needs to go beyond current calculations in environmental

programmes that are based on a narrow interpretation of the income forgone and additional costs rules set out at the World Trade Organisation.

Where it can work alongside active farming and environmental objectives, the NFU views the management and maintenance of **public access**, including permissive routes and provision of educational services, to be a public good which farmers may choose to deliver. We recognise the very large positive health and recreational benefits that targeted public access creation could provide, as well as providing greater understanding of farming and the countryside. However, it must be acknowledged that the British countryside is a working environment and there are many locations where it would be inappropriate and unsafe to enhance or create new public access. Future public access options should never be a universal requirement and should take into account a variety of considerations. Government should also acknowledge that enhancing public access to farming areas and areas dedicated to environmental work increases farmers' exposure to risk with livestock worrying, animal diseases and can conflict with delivery of environmental outcomes. There should be safeguards in place to ensure that these risks are minimised.

The NFU and its membership are proud of the high standards of **animal health and welfare** that are currently upheld by farmers in the UK. Any additional aspirations for animal health and welfare must be based on scientific evidence that they will actually benefit the farmed animals and the businesses charged with managing them. Farming is a commercial enterprise and innovation and improvements to systems must go hand in hand with a farmer's ability to compete in the marketplace and be rewarded for 'above and beyond' production standards. The collaborative approach proposed in the consultation document in the form of an Animal Health Pathway has potential to make good progress in improving animal health efforts if designed and implemented properly.

The NFU is convinced of the value of thriving agriculture businesses to **resilient rural economies and communities**. We wish to emphasise the importance of government developing a cohesive policy framework to support productive, thriving farming businesses, which would go a long way in helping to support rural communities and businesses post Brexit across all "rural" parts of the UK.

It is encouraging that Defra reflects the specific challenges of farming in **the uplands, remote areas and designated sites**. The NFU would like to underline that farming is at the heart of all activity in these areas. Without a viable farming industry there would not be the people, food production or the beautiful landscapes on which the uplands and many nationally recognised sites are based. Government's proposed "clear vision" for upland areas needs to reflect this and ensure that farming and food production are successful there. Furthermore the government should recognise that constraints to farming exist beyond just upland areas, for example national parks, AONBs and SSSIs and other traditional farming landscapes.

Additional key elements of current and future policy

Measures to help farmers manage their **exposure to risk** are essential to deal with a variety of external factors that contribute to income volatility such as global commodity market fluctuations, changing trade relations and weather, pest and disease threats. Direct payments are currently the most substantial and effective tool that farmers have to mitigate this volatility. While farmers in the UK share the aspiration of reducing their reliance on these payments, it should not be arbitrarily pursued without sufficient and robust policy replacements.

In the short to medium term direct payments will continue to play a significant role in underpinning the financial viability of many farm businesses, given price volatility and the failure of markets to deliver a fair reward. In the medium to long-term the UK should look to develop **market based tools** which will help to smooth the impact of market forces on farm incomes. The government has a clear role to play in regulating to mitigate the impact of market failure situations, such as ensuring minimum contract terms, or other legal safeguards in situations of significant market imbalance.

The NFU has long championed the need for farmers and growers to operate in **a supply chain which is fair, transparent, responsive and equitable**. The NFU has welcomed the recent government announcements on the scope of the Groceries Code Adjudicator (GCA). However, these announcements in isolation do not provide a silver bullet to the industry to tackle fairness within the UK food supply chain. Farmers need access to robust market data, which mandatory price reporting would contribute to, and the assurance that the terms they are operating to are fair. With the confidence that this would provide, producers would be able to respond to current market demands and work in greater collaboration with the supply chain. The NFU also shares government's view



that more can be done to encourage collaboration among farmers themselves. New incentive schemes, building on the existing Producer Organisation provisions, will play a valuable role in this.

Irrespective of the area of focus, policies in both the short and long term should take account of the valuable mixture of land tenure practices in the sector and the NFU believes that policy should ensure that none of the different forms of land tenure are at a disadvantage in participating in future policies. The consultation rightly recognises some of the specific challenges of **tenant farming** and the NFU welcomes the indication to improve tenancy law. Encouraging **new entrants** should also be an important focus of policies implemented both in the future and during the agricultural transition. A profitable industry that presents an attractive career or commercial prospect is central to this.

The NFU is disappointed that the **labour needs** of the food and farming industry are given so little attention in the consultation. While we recognise the Home Office leads on relevant policy, it is unfortunate that the Command Paper does not reflect on the fundamental labour issues currently facing a number of farming sectors. The entire food supply chain employs significant numbers of EU nationals who add value on farm and beyond. The referendum result has exacerbated well-documented difficulties in recruitment and there are clear steps government could take now to ease pressure. The government should take urgent action on future immigration arrangements to mitigate a continued fall in the number of EU nationals taking up seasonal roles, and prevent significant supply chain disruption. Establishing a seasonal worker type scheme to enable recruitment of non-EU seasonal labour would address this issue. Ready access to a workforce that is sufficient in number across a wide variety of skill and qualification levels will remain vital in the long term. As the consultation paper highlights, there are a multitude of skills priorities for the farming sector, which government and industry can work together to tackle through farmer centric training and knowledge exchange provisions.

The NFU believes **scientific research, development of innovative tools, technologies and practices, and knowledge exchange** are all critical to tackling the productivity and resource-efficiency challenges that British farmers face. More public investment in R&D is required to ensure the industry can effectively meet these challenges. Research questions should be farmer led, with outcomes well-disseminated, understood, and making a clear and discernible impact on farm. Research must be closely linked to training and knowledge exchange. This can in part be achieved through fostering better links between farmers, researchers, advisers and technicians in what is a complex agricultural research landscape.

Our withdrawal from the EU provides an opportunity to review the **regulatory environment** under which farming operates, and to devise a regulatory regime that is fit for purpose, effectively supporting productive agriculture and trade in agri-food products, while protecting the environment and the public. As the UK develops its own regulations, science, evidence and proportionality should guide government thinking. Regulation aimed at protecting the public and environmental health should be risk-based, and impact assessments should be used to gauge the effects of rules on farm businesses. At the farm level, inspections need to be more proportional and better co-ordinated across different regulatory agencies to reduce overlapping and duplicated checks. Farmers that demonstrate they present a low risk of infringing on rules, and those that go further through voluntary schemes, should have this effort recognised when compliance with regulation is being assessed. Earned recognition should feature in the design and implementation of future regulation.

The NFU agrees with the importance government places on **preventing and controlling pests and diseases of crops, honeybees, and plants and trees** in the wider environment, recognising the significant losses that outbreaks can cause for businesses, the environment and the public. The starting point for the future role of government in protecting crops is horizon scanning for threats and continuing to maintain appropriate risk-based national biosecurity measures to prevent pest and disease outbreaks. If outbreaks do occur, government must ensure the availability of necessary plant protection tools and innovations in plant protection technology. The robust and consistent application of scientific evidence needs to be at the heart of this approach – a characteristic for which the UK Government is already recognised and respected throughout the EU.

Conditions for change

Farmers are ready to engage in the process of reform and move toward the future policy outlined above. To ensure this can be done successfully, change must be managed properly to minimise disruptions to food supply, farm businesses and the wider economy. The government should take account of the **wider political and economic conditions** as policy reform gets underway, and be willing to adjust or change the reform programme if circumstances dictate. The NFU has consistently argued that the shape of future agricultural policy and the

pace at which we implement reform must reflect the wider trading environment for farming post-Brexit. This could be fundamentally different depending on the nature of the Article 50 agreement reached between the UK and EU, and related developments with regard to the form of our future independent trade policy and immigration system. A number of impact assessments, including one carried out by Wageningen University of behalf of the NFU in 2016, have showed how critical both direct support payments and the form of our trading relationship with the EU and global partners are to the financial viability of the sector, and how different Brexit scenarios will have very different impacts on the financial health of farm businesses.

As the process of policy reform gets underway, the industry must be given sufficient time to adapt and the government should take appropriate time and care in devising new schemes and programmes. During this agricultural transition, the NFU believes that the current structure of the Basic Payment Scheme (BPS) should be retained, with particular focus on ensuring funds go to active farmers. Moreover, there is genuine opportunity to reduce the administrative burden that farm businesses face in policies under both pillars of the CAP. These simplified policies should be kept in place as new policies – fully tested and proven – are introduced.

As funds are redirected towards any alternative programmes during the agricultural transition, the NFU believes that **reductions in BPS payments should be fair and equitable** for all farms. In our view this means that the same percentage reduction should be applied to all recipients, regardless of claim size. This redirection of funds must be to the direct benefit of active farmers whose businesses will be striving to manage the impacts of the loss of income resulting from BPS reductions. The scale of cuts must be commensurate with the sums needed to fund the alternative programmes and pilots envisaged during the agricultural transition, and no more.

Given the need to trial and review new policies, and uncertainty over the wider trading and regulatory environment, **the NFU does not believe it is sensible to impose an arbitrary timeframe on the length of transition required.** What is critical is the government's ability to design, develop and implement effective measures to replace the current system. To this end, the NFU calls on the government to formally commit to a review no later than two years into the agricultural transition period. This review of progress will provide a comprehensive assessment of the impact of reform, and so allow government to manage and mitigate any adverse effects and to take account of greater clarity of the impact of the Brexit settlement and developments in our international trade policy. In particular, as direct payments are reduced, the review will provide an assessment of the ability of farm businesses to manage the reduction in income – through increased alternative revenue streams or reductions in costs - as well as of the impact on the wider economy and the domestic supply of food. The government must be willing to pause cuts in direct payments if their reduction is shown to be unmanageable given the adverse effect this may have on farm incomes, domestic food supply and delivery of public goods.

A review of government policy development two years into the agricultural transition will also lend itself to making an assessment of the suitability of introducing an optional "bond" approach whereby some farmers may choose to invest the money in a variety of ways, including a move away from farming. The successful introduction of such an approach requires much greater certainty on future policy direction than is possible in the current environment.

The wider framework for delivery

The NFU is concerned about the tension in wider public debate between a desire for a high-performing domestic farming sector, producing to high welfare and environmental standards within a high-cost regulatory environment, and an expectation that leaving the EU will lead to cheaper food through a trade policy that opens up domestic markets to foreign imports. This tension is reflected in the Command Paper. As we will continue to compete with farmers around the world who, by and large, receive financial public support, **the UK Government will need to be clear how its policy aims on domestic production standards can be squared with its international trade policy.** It is imperative that UK farmers are not undercut by imports produced to lower standards than those imposed on UK farmers by the government.

While the Command Paper primarily focuses on policy reform in England, it includes an important section on policy at a UK level. It is important that a balance is struck that maintains and respects **the current devolution settlements** while protecting the **integrity of the UK single market** for food, agricultural commodities, live animals and plant and plant products. Different policies on farm support within the UK could lead to competitive distortions within the internal market, and different approaches to regulation could also impose barriers to trade in goods within the UK. There must be frameworks in place to ensure this does not materialise.

We expect farming ministers across the four nations of the UK to establish regular, formal and cooperative arrangements that ensure potential differences in agricultural policy do not adversely impact trade within the UK. Furthermore, no part of the UK should act, or avoid action, that threatens to curtail access for other parts of the UK to third country markets, or adherence to international agreements.

We look forward to the **publication of the Agriculture Bill** in the coming months, which will provide a legal framework for delivering key aspects of agricultural reform. It is important that legislation clearly sets out the objects of agricultural policy – including the need to support an efficient, productive UK farming sector that makes a significant contribution to the nation's food needs – as well as establishing a budgetary framework that provides certainty for farmers and allows them to plan and invest for the future.



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Reform within the CAP

Brexit presents the government with a genuine opportunity to reduce the administrative burden of support schemes for the industry. We believe there are a number of significant improvements that should be made whether schemes are operated under the CAP rules themselves in the short term or in the longer term under future domestic legislation that serves to replicate much or part of the rules. These improvements are set out below and are grouped as follows: 1) Basic Payment Scheme (BPS); 2) Countryside Stewardship Scheme 3) RDPE socio-economic grants and scheme provision; and 4) Producer Organisations.

The NFU asks government for clarity over the continuation of funding for the Producer Organisation (PO) scheme. This currently provides investment funds for operators in the horticulture sector that collaborate to improve, and has delivered quantifiable value through its existence. The NFU would like to request that funding is guaranteed in the same manner that other agricultural monies have been. The PO scheme could therefore carry on being run, with improvements introduced that lay the foundations for a new scheme.

As a general point it is worth highlighting that moving away from direct oversight of EU regulators, which currently audit how funds are spent and apply penalties, presents an opportunity to improve regulation. The NFU has become concerned over recent years of an approach in Defra towards risk aversion and even gold-plating of EU rules so as to avoid financial penalties and disallowance of EU funds. While the NFU believes it will still be essential to audit how public funds are spent, there is in principle an opportunity to move away from such extreme risk aversion in policymaking. This in turn should help rules function better and give Defra more freedom and confidence in designing and implementing policies.

As well as scheme evolution, Defra organisational change should continue to drive efficiencies and improve delivery of existing CAP schemes, ensuring that as many pence as possible in every pound directed towards the industry is delivered to farmers and is not lost to government administration.

1 Basic Payment Scheme

The NFU sees significant opportunities to simplify the current BPS administration upon leaving the EU to reduce burden for all parties and assist with a smooth transition to a post-BPS policy. It is all too clear that the current system has lost sight of what is important – the delivery of accurate payments in a timely manner. These payments are essential to assist farming businesses manage financial volatility and to correct the failure of significant parts of the market to deliver a fair return for farmers.

The NFU believes spending time improving BPS delivery is very important. With many elements of future support and incentives yet to be developed, the continuation of a direct payment scheme such as BPS is absolutely vital during the agricultural transition period.

Successive reforms of the CAP have added complexity where it did not previously exist. Frustratingly, we have not seen much evidence of the EU Commission's recent simplification agenda during the latest reform of BPS other than the ability to remove a not fit for purpose approach to determining who is an active farmer. One area in particular where we would like to see greater flexibility is the ability for farmers to use all EFA options set out in the legislation (circa 18 options) instead of the five options currently available.

It is understood that the current scope to change BPS is restricted in the short term to what the EU regulations allow at this time. When the UK Government has sole competency of agricultural legislation, there will be greater opportunity to make changes as well as savings in terms of cost and time in running the scheme. Paramount to this must be a change in culture within government in delivering this scheme. Administrators should be empowered to develop solutions without fear of EU or national auditors taking differing interpretation of rules and the threat of infraction proceedings looming large. At the very least, the seemingly endless remapping exercise should be halted and reviewed, in particular the unrealistic level of accuracy to a few square metres that it strives for. This would be a significant contribution to help deliver payments in a timelier manner.

The government proposes to replace or significantly amend Cross Compliance and Greening, which is to be welcomed. Building upon this, there is significant opportunity for further improvements in the current rules, for example in assessing what is eligible land within the scheme payment scope; shortening the payment window and looking at different payment models; reviewing the approach to inspections and evaluating the sanction regime in place.

The NFU also welcomes the announced review of inspections by Dame Glenys Stacey. Clearly there is a need for checks and balances going forward, but there is a great opportunity to change the current approach to be more proportionate than is currently practiced. The NFU is actively engaged with Dame Glenys Stacey's review process and looks forward to working closely with Defra in making improvements to the existing BPS regime.

Greening: Crop Diversification – The mandatory nature of the measure goes against all of the NFU core policy principles of simplicity, market orientation, and increased efficiency. Farmers already have a diverse rotation which is an essential part of integrated pest management and ensuring soil health. The requirement to grow a specific number of crops in particular proportions to arable land claimed should be removed as a requirement of receipt of BPS during the agricultural transition period.

Greening: Permanent Grassland rules – The NFU believes that the specific scheme rules on ploughing bans should be removed as a condition of receipt of BPS during the agricultural transition period. The rule is superfluous and adds unnecessary bureaucracy since what the permanent grassland seeks to protect is already protected by EIA legislation.

Young Farmer Scheme Payment – We propose that the limitation of five years that a young farmer can receive such a payment be removed as well as the annual assessment of eligibility. This would reduce the burden seen with the existing rules which, due to the overzealous approach of administering such claims, has led to eligible young farmer not receiving a payment. Furthermore, retaining this supplement payment beyond five years would help those setting up a new farming business in the coming years.

Mapping – The government should cease the widespread and continual remapping exercises carried out and which typically coincide with the busiest times in the farming calendar. Continual remapping is time consuming and the current desire to get to a level of accuracy down to 0.0001ha is unworkable. Instead the government should prioritise a more realistic expectation of what scheme mapping is needed for scheme administration and at what level of accuracy this should be achieved in a farming environment.

Land Based Inspections – The government should refocus inspection work on outcomes and increase the ability for pragmatic interpretations of findings to be made. The current approach taken, and the number of inspections, has to be questioned. A change in culture and approach is needed that comes from a starting point of greater trust of the farmer and earned recognition of previous compliance.

Common land – We call on government to review the approach to common land administration with an aim of reducing the overly complex approach to processing claims and providing Commoners greater certainty in terms of the payment and entitlements associated with the common areas that they have access to.

Issuing of Payments – The NFU proposes that there be a shortening of the current 1 December to 30 June payment window to ensure that these vital payments are made in a timely manner to those expecting them. Furthermore, we call on government to consider different payment models, for example split payments for different areas of a holding to allow the release of payment. This could ease business management as well as cash flow. It would go some way to addressing the unpredictable nature around the timing of payments, especially where one farmer or part of a claim is held up by another farmer or their connection to one another, for example on common land.

Sanction Regime – The NFU believes the existing sanction regime should be reviewed. In particular it should recognise the point that a breach can be found that is neither a negligent nor intentional act, and as such should not lead to any sanction being imposed. This can for example lead to perverse outcomes on arable farms where livestock are not kept as they are deemed too great a risk in losing payment if a cross-compliance breach is found. This dis-incentivises mixed farming. There should also be greater tolerances with measurements based on overall compliance levels to ensure a proportionate approach. For example a farmer being found to have less field margin than expected should not be penalised if a high percentage of the standard is complied with. The principle of taking into account the number of eligible stock/hectares/margins should have a greater weighting when

determining the scale of sanction applied. The cattle severity calculator goes some way in aiding proportionality, but that should also be reviewed to ensure adverse and disproportionate outcomes are eliminated.

An inspection charter – The government should aim to reduce the number of BPS inspections required and focus those inspections that remain on what causes a concern. An inspection charter should be established which includes commitments to farmers such as receiving preliminary results within days of the inspection, clear information on why a sanction is being applied and what remedial action farmers can take to reduce or avoid sanctions.

Improve communications to farmers – Government should take this opportunity to improve its farmer communications. It should work to clearly pre-published timescales, deal with issues in agreed timeframes and put greater customer trust at the heart of what is done. It should seek ways to provide greater face to face support for farmers in applying for support schemes.

Farmer support and follow up after an inspection - There should be continued administrative support for farmers beyond the existing Farming Advice Service contract, especially as scheme rules and requirements will change and evolve in the coming years. Such support also encourages changes in behaviour as well as being a useful source of support for those found to be non-compliant.

Entitlement usage rules – Farmers should be able to use entitlements during the transition period that may not have been used for several years to avoid losing them for temporary loss of eligible land or allocations on common land.

Cross-border holdings – Defra should work with paying agencies across the UK to improve the efficiency of payments made by two different agencies in the case of cross border holdings. If funds have been approved for one part of the holding by one paying agency, delays with the other part of the claim should not prevent the otherwise clear funds from being paid.

2 Countryside Stewardship scheme

The NFU welcomes the government's acknowledgement that the Countryside Stewardship (CS) scheme is complex and processing delays have harmed the reputation of the scheme. Some steps have already been taken to improve CS and these are welcome. The NFU also welcomes the commitment to retain CS until a new scheme is introduced and that no one in an existing scheme is unfairly disadvantaged when the transition is made to new arrangements. The NFU wants to see a smooth transition between schemes.

More needs to be done in the short term to improve uptake of CS, particularly as the introduction of a new environmental land management scheme will not take place for several years. Unfortunately the consultation paper's proposals for simplification of CS do not address what we believe are the fundamental issues that are hampering delivery of environmental outcomes.

A multitude of issues: The introduction of CS entailed major changes to the underlying design. These included:

- A single IT system for all CAP schemes – Building one computer system for BPS and CS. If this worked it would enable smooth running of CS. Unfortunately, the IT system seems to be a major ongoing reason for very poor performance. If effective, this single IT system could potentially make better use of the core field data for both schemes.
- Moving to a single annual start date – This has created barriers to continuous environmental delivery and uneven workload across the year for Natural England.
- Audit – Requiring 100% audit leading to excessive record keeping and evidence requirements on agreement holders. It has also increased bureaucracy within Natural England, decreasing efficiency and leading to delays in payments for example.
- Digital by default – Assuming everyone can access and has the skill to use IT. Initial scheme design was for online access only. Because the IT was being developed through an 'agile' build approach, it meant there was no scope to fully test the IT. Also, when severe IT problems were encountered in 2015 it delayed further IT build and scheme delivery which needs to be avoided in the future.

- Online guidance – the language used in scheme guidance, manuals and information has been dictated by the generic approach as employed online through Gov.uk. This has led to guidance that is confusing and not fit for purpose. It is written for the general public but does not provide the technical information required to make a good application or deliver an agreement. The guidance remains a barrier to engagement.

Any one of these changes on its own would have caused disruption to delivery. In combination it has created a scheme that is complicated and high risk to both participants and to government. As a consequence the NFU is calling for urgent changes to CS that address these shortcomings. In addition we are proposing changes for those in HLS/ELS agreements pre-dating CS introduction.

Short term improvements

The NFU believes there are ways to improve the current CS scheme, even while the UK remains bound by EU laws. For example these include resources being available to improve scheme delivery and reduce complexity for applicants. Appropriate staff resources need to be in place to deliver CS. The programming of the IT system (SitiAgri) that delivers CS needs to be improved and there needs to be more joined-up approaches across government departments delivering the scheme. This should lead to agreement offers being made before the agreement starts. It should also mean application packs would be sent out within two weeks of being requested.

Safeguarding existing Environmental Stewardship (ES) agreements: To retain the environmental benefits of ES agreements serious consideration should be given to rolling forward expiring agreements until such time as the new post-Brexit agri-environment scheme suite is available. Natural England does not have sufficient resources to convert existing Higher Level Stewardship agreements to higher Tier CS agreements. Likewise, there needs to be the ability to have a smooth transfer from ELS/HLS in to any element of Countryside Stewardship.

Reduction of record keeping: CS needs to be simplified with a reduction of record keeping. The application process and requirements, the guidance, application forms and supplementary forms need simplifying so they are easy to understand and consistent. Consideration should be given to having more options available to Mid-Tier applicants. The NFU would welcome a reduction in the record keeping requirements across the whole scheme.

Presentation of scheme requirements: Simplification is not about reducing choice. Better presentation of the scheme to applicants will encourage uptake. This should mean all the relevant scheme requirements to be presented clearly and upfront. It is unacceptable for an applicant to spend time building an application to then find a scheme detail that makes it unmanageable on farm. The push for online delivery could make it easier for applicants and Natural England, though it requires IT systems to be correctly designed. However, it should not be the only way to access the scheme as insufficient broadband is available over large parts of the country.

Review of interpretation: There needs to be a review of the interpretation of EU regulations to reduce impact on delivery. For example, audit requirements that create bureaucracy for all involved. To encourage uptake there needs to be more flexibility. It needs to be possible to make minor changes to an agreement or adjust planting dates to reflect weather conditions.

Timely payments: Agri-environment scheme payments need to be made on time on a regular basis to a recognised schedule that all agreement holders know. Agreement holders expect the advance payment in the autumn and final payments in the spring – long before 30 June. The current position of no given timescales for payments is unacceptable and gives no help to businesses seeking to better manage cash flow.

Medium and longer term improvements

Future budget certainty: currently it is unclear how the government will redirect funds that are presently delivered through the RDPE to new domestic policies. In particular, there needs to be greater certainty about budget beyond 2020 for environmental stewardship schemes.

A proportional and practical approach: The NFU believes there is scope to develop a more proportionate and practical approach to environmental scheme record keeping and evidence, for example through re-drafting the option prescriptions. Some of this could happen very soon when EU rules no longer apply, but the principle should remain central to all future endeavours. As set out above with respect to BPS, there needs to be a more proportionate approach to penalties and breaches of agreements to reduce the risks associated with participation. Option prescriptions need to clearly link to the environmental outcomes desired. This can be done by making audit requirements more proportionate, removing the long list of black and white prescriptions.

Payment structures and start dates: The payment structure needs to offer some form of incentive for participation in agri-environment schemes. This should be the case for existing schemes as well as future policy. There needs to be a review of the income forgone calculation particularly in regard to the current low payment rates for grassland options for example. To maintain and improve environmental outcomes government should allow for monthly start dates for new agri-environment agreements. Also, removing the single start date would introduce flexibility much needed for Natural England and applicants.

3 RDPE socio economic grants and scheme provision – capital grant funding

The budget for the 2014-20 Rural Development Programme for England is shown in the table below, with the main capital grant elements highlighted in blue (e.g. Growth Programme, Countryside Productivity and LEADER).

Productivity funding within the RDPE under these schemes is around 14% of total Pillar II funding. When taken in the context of the total CAP budget for England, these measures are approximately 3% of the total funds. The NFU believes this is far too low and does not reflect the importance of on farm investment. It will be especially important to increase this percentage during any removal of direct payments.

| Rural Development Programme for England 2014-2020 | | | |
|---|-----------------------------|---------------------------------------|--------------------------|
| Scheme | Programmed spend to 2020 £m | Total cumulative spend (Jan. 2018) £m | % of total spend to date |
| Countryside Stewardship | £827.8 | £83.9 | 10% |
| Environmental Stewardship | £1,958.9 | £1,349.1 | 69% |
| English Woodland Grant Scheme (EWGS) | £94.8 | £70.8 | 75% |
| Growth Programme * | £209.5 | £7.5 | 4% |
| Countryside Productivity * | £141.0 | £5.4 | 4% |
| LEADER * | £138.8 | £30.8 | 22% |
| Farming Recovery Fund | £9.0 | £8.0 | 89% |
| Technical Assistance * | £127.0 | £46.6 | 37% |
| Total | £3,506.8 | £1,602.1 | 46% |

RDPE capital grant funding has been bedevilled with problems such as launch delays, and there is a recognised underspend on RDPE. Although the NFU acknowledges that vital funds to benefit farmers are finally being released (particularly with LEADER and Countryside Productivity) – with the rate of spend increasing particularly where application processes have been simplified – the delivery of future grant funding needs to be more accessible and reliable if it is to fulfil the role of contributing towards an improvement in agricultural productivity. Some case study examples of the tangible benefits of capital grants funding are highlighted below.

Transitional arrangements: existing RDPE capital grant funding - The NFU advocates a continuation of the existing RDPE funding arrangements in the transitional period. This is due to the complex nature of the RDPE that is ultimately starting to deliver benefits to farmers. To abandon existing schemes risks further time delays and allocated funding being unspent, at detriment to the intended recipients. However, there are opportunities for simplification and improvements of the RDPE capital elements:

- As soon as the UK is outside the scope of EU Regulations, all geographic areas should be included in funding availability. This particularly applies to LEADER where there are omissions in geographical coverage.
- LEADER covers the six priorities: (i). To support micro and small businesses and farm diversification; (ii) boost rural tourism; (iii). Increase farm productivity; (iv). Increase forestry productivity; (v). Provide rural services; (vi). Provide cultural and heritage activities. The NFU advocates increased emphasis on (i). and (iii). In order to maximise the opportunities to improve farm productivity, farm diversification is also seen as a priority in which to increase farm income and reduce business risk, thereby increasing resilience in the sector.

CASE STUDY: Productivity – potato washer funding through LEADER

Background. An arable farm business in Lancashire, farms 480 acres with the main enterprise being potatoes. Due to ever increasing requirements and changing specifications, supplying crisp making factories has become increasingly difficult.

The business thus decided to look into opportunities of investing in a potato washing system. The farm business explored the different funding schemes available and the proposed project fit into the LEADER grant. The application was successful and funded £46,165 covering 33.5% of the total costs of the machine.

Results. The benefits to the business have been noticed already within only one and a half years. There is more flexibility in outlets for the potatoes and there is reassurance in future proofing the business – fewer and fewer potatoes are being rejected as being unwashed by the processing factories. Owning the machine rather than

hiring one has given increased control over when to sell the crop as sometimes finding a washer to hire could be difficult. In addition, since the business bought their own washer they have also had neighbouring farms approach them to wash their crop which has increased profits.

Comments about the LEADER scheme. Without the grant investment may still have been made in the washing system, however not at the level of specification and functionality. This has meant that there is more efficient, productive and higher specification system than could have been obtained otherwise.

Comments were received on the application process mainly that sufficient time must be allowed to complete and submit the forms. The business considered that it took too long to collate all of the quotes from different suppliers and the supporting documentary evidence letters for the project from customers, cash flow projections and many more parts of the process were also time consuming.

- There is too much variation in performance across LEADER LAG groups; some have performed well with good distribution of funds. Others are performing poorly with a risk that funding will not be allocated during the timescale allowed. Government needs to work with LAGs to improve performance of targeted funding. This could be improved by offering financial incentives to LAG chairmen (such as being paid a day rate) and committee members to improve the calibre of those involved and as a mechanism to hold meetings and make funding decisions.
- Funding for productivity measures should be increased during the transition, in the first instance by making full use of existing underspent RDPE funds. Productivity improvement is cited as an ambition within the Command Paper and increased funding with the productivity umbrella must be seen as a priority.
- A simplified application scheme should be adopted within the RDPE. This could be modelled on the recent round of Countryside Productivity small capital grants which have allowed farmers access to equipment according to a standard cost list. Where this is not possible for more complex applications such as with LEADER or Countryside Productivity large capital grants, simplification is still possible. This could include reducing the conditionality regarding funding requirements, the number of quotes required or reducing the long lead times from application to a funding decision. This has hitherto acted to put off or delay applicants from applying from opportunities that would be most beneficial. In addition this would reduce the third party cost implications for farmers (e.g. through agricultural agents and consultants), allowing more working capital to be maintained in the farming business.

CASE STUDY: Productivity – Reservoir and pump irrigation – funding through Countryside Productivity large capital grants.

Background. A farm business in East Anglia has been producing preserves for over a hundred years. It manufactures jams, marmalades, chutneys and Christmas puddings alongside packing a range of honey. The farm business is diversified and includes tea rooms, a patisserie, artisan jam making and pudding making. The geographical location of the farm, in the driest part of the country, puts pressure on the farm managers who need reliable and adequate rainfall in order to produce a quality crop of the best fruit. Last year, the enterprise was successful with an application for a Water Efficiency Project Grant under the Countryside Productivity Scheme at an intervention rate of 40%, covering £143,727 of the total cost.

Results. The project has been recently completed. The business is already reassured in the knowledge that next year's water supply will be secured. The reservoirs will be filled in the winter and used during the summer peak season months on a continuous cycle. Water shortages can be extremely damaging for horticultural businesses that depend wholly on a reliable water supply. As a result of the positive experience the business owners had in applying for the grant, they are very confident they will look into similar funding in the future. It was expressed that post-EU exit there should be a similar grant scheme in place that will ensure access to funds that allow productivity or efficacy projects and provide an incentive for better water storage facilities. Large investment costs can often be out of reach of a farm business, but with a 40% intervention rate the risk is spread from the business.

Notes for improvement of the Scheme. It was explained that sometimes the grants are not available for a long period of time, and if a business proposes a project from the start, with no prior research, then it is hard to go through the process particularly if planning permission is required in the short time frame allowed. This is an area that could be addressed in a future scheme to allow more projects that would potentially fit all the criteria and improve farm practice to be successful.

4 Producer Organisation Scheme (PO)

The NFU calls on the government for clarity over the continuation of funding for the Producer Organisation (PO) scheme. This currently provides investment funds for operators in the horticulture sector that collaborate to improve bargaining power and productivity, with quantifiable value to the sector. The NFU requests that funding is guaranteed in the same manner that other agricultural monies have been. The PO scheme could therefore carry on being run, with improvements introduced that lay the foundations for a new scheme. The NFU suggests that the RPA's expert group for the functioning of the Producer Organisation scheme be tasked with identifying improvements that can be introduced to the current system when the government regains controls of the regulations under which the scheme operates.

An agricultural transition

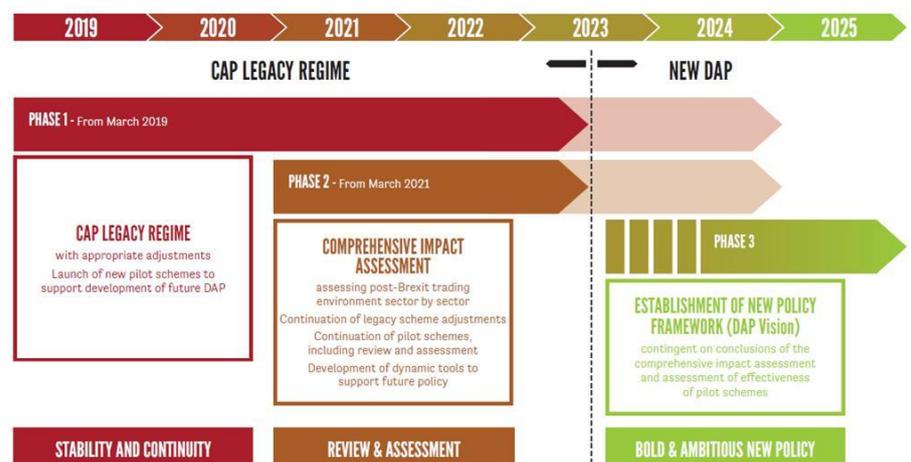
The NFU welcomes the government's proposal for an agricultural transition period to adjust to a new proven domestic agricultural policy post Brexit. The NFU has set out the need for a similar period of adjustment as outlined in the [NFU's Framework for Success Document](#) (annex 1).

While there are similarities in the NFU's and the government's proposition for such an agricultural transition period, there appears to be significant differences in opinion on the conditions for change and the types of adjustments that should be made to the Basic Payment Scheme (BPS) during this period. One fundamental element lacking from the Defra proposals is the provision for regular review of policy changes and of the impact of the wider operating environment. Most critically the UK's trading relationship with the European Union, the rest of the world and specifically the degree of competition that English farmers will face from overseas producers needs to be taken into account. A comprehensive impact assessment must be carried out of this new relationship before there are significant changes to the primary means of supporting the industry, namely the BPS.

Against this background of a need for review, the NFU believes that the main features of the BPS system should be retained during the transition period, taking into account the improvements to the scheme previously outlined in this response. It should be kept largely intact until both the government and the farming sector are adequately prepared for the introduction of a new policy framework. In response to the specific proposals of the consultation document, the NFU believes that any phasing out of BPS should be fair and equitable for all farms. In our view this means that the same percentage reduction should be applied to all recipients, regardless of claim size. We believe that payments should continue to go to the active farmer. The agricultural transition period should also be an opportunity for government to take the necessary time to consult, design, develop, test and launch new policies for the industry. It is therefore sensible not to set an arbitrary length in years for this, but rather set out a very clear timeline against which progress should be measured, with a specific review clause set out for review no later than two years into the transition period. The NFU believes that reductions should only be made to BPS if there is a clear way of redistributing them, these are proven to function and that those affected can readily access these funds. The government must be willing to pause cuts in direct payments if their reduction is shown to be unmanageable given the adverse effect this may have on farm incomes, domestic food supply and delivery of public goods.

Last year the NFU set out the sort of approach to an agricultural transition it would like to see toward a future Domestic Agricultural Policy (DAP). It is worth reiterating here the key elements of this:

- **Phase 1 (2019 / 2020): Stability & Continuity** – CAP legacy regime with some adjustments as appropriate, i.e. improvements in functioning/application of existing schemes. Launch of new pilot schemes to support development of future DAP
- **Phase 2 (2021 / 2022): Review & Assessment** – undertaking of comprehensive impact assessment of post- Brexit trading environment on a sector-by-sector basis. Continuation of pilot schemes, plus review and assessment thereof. Continuation of legacy regime with ongoing adjustments and development of dynamic tools to support future policy compliance
- **Phase 3 (e.g. 2023 or beyond): Bold & Ambitious new DAP** – establishment of new policy framework (NFU DAP Vision), contingent on conclusions of the comprehensive impact assessment and the assessment of effectiveness of new measures trialled during the transition period.



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As these provisions make clear, the NFU believes that no significant changes should be made to the current system until it is clear what will be in place to replace it, that this is shown to be working and is appropriate to deal with wider political and economic developments. This does not mean that a new policy should not be introduced, but rather that it should be introduced in a measured way and when review has shown that it can function and effectively deliver funds planned to be taken from BPS. We would also like to point out the importance of review or changes taking place around specific milestones such as agreement on a future UK-EU relationship and the effect these will have on the farming sector. Policy should be designed to take such developments into account where appropriate.

The importance of direct payments to farm business financing

In order to properly consider what is required of policy in a transition, it is vital to understand the role that direct payments place in the operation of farm businesses. BPS payments continue to be the primary measure to support farm incomes against volatility and the failure of the market to deliver a fair return for farmers from production. As highlighted in 'The Future Farming and Environment Evidence Compendium' (referred to as Evidence Compendium) produced by Defra, 61% of farm business income (FBI) for all farm types over the period 2014-2017 was from direct payments. The proportion of direct payments as a component of FBI was as high as 79%, 91%, 94% and 114% for Cereals, LFA Grazing Livestock, Lowland Grazing Livestock and Mixed farms respectively. This highlights the critical role of direct payments in mitigating the adverse impacts of pervasively low market returns and high input costs on farm businesses who have limited control as price takers on their gross margins. This is revisited in the *Risk management and resilience* section of this response. However, it is worth noting several additional aspects of direct payments that transition policies should seek to reflect:

- **Cash flow:** The consultation document suggests that there is clear evidence showing that the scope for productivity improvement would enable farms, on average, to remain profitable following a withdrawal of direct payments. Profit is only one measure of business viability. Whilst it is a critical element and allows businesses to reinvest, focussing on it overlooks the equal importance of cash flow as mentioned above. Therefore transition policies should focus on both profitability and cash flow equally.
- **Farm borrowing:** Even with the level of direct payments support provided over the last ten years, the industry's borrowing has been increasing year on year. While an element of that borrowing is for investment or re-financing, some borrowing covers the shortfall in income over expenditure. Reducing funding in the form of BPS will likely have a significant impact on the level of borrowing in future unless there is an increase in other income streams or farm gate prices. Therefore, policy changes during the transition should not inadvertently increase farm borrowing that covers cash flow shortfalls.
- **Investment:** BPS monies have assisted with cash flow management and assisting businesses to invest and maintain or increase productivity as well as help businesses develop over a period of time. We dispute the notion on page 38 of the Evidence Compendium which suggests direct payments have stimulated investment that worsens farmers' returns. While there may be examples of excessive investments, in the main farmers have used their income including direct payments to develop their businesses.
- **Wider value:** Page 59 of the Evidence Compendium suggests that CAP Pillar 2 environmental schemes deliver at least £3.20 of wider benefit for each £1 of public money spent. The NFU would suggest that BPS monies spent of farm inputs, capital investments and employment, for example, are also contributing the wider economy, both locally and nationally. Transition policies should therefore consider the effect on a farm business' contribution to its local economy.

Phasing out BPS

The NFU's long held position is that capping is not a beneficial or equitable approach for the redistribution of funding as farmers at all scales of production face significant economic pressures which the direct payments address. However, in the case of reducing direct payments, widespread NFU member consultations have demonstrated that once there is greater certainty about our international trading environment, and the government has developed proven alternative ways to support the industry, a phased reduction approach be adopted adhering to the following principles;

- It should remain equitable and fair for all active farmers
- It should not compromise the UK's safe, secure and traceable domestic food supply base

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- Reductions in direct payments must be commensurate with a realistic ability to redirect spending effectively and productively in a way that maintains support for active farmers

The NFU therefore concludes that none of the options set out in the paper, namely i (progressive reductions) ii (hard cap) or iii (hybrid) are suitable for a proportional and equitable transition to a new support regime.

Equitable and fair for all

The NFU would suggest that another model be implemented in any reductions to BPS – one that is in-keeping with the principle that any reductions should be fair and equitable. We believe that farm businesses of all sizes should be treated equally during the transition period because as commodity producers, all farms face highly correlated economic pressures. In effect, the impact of volatile economic pressures on farm business income dwarfs the benefits of any efficiency gains due to scale. In fact, there is limited evidence of the efficiency benefits that economies of scale present, with the Defra Agricultural Change and Environment Observatory Research Report No. 25 finding that,

“...there is an underlying tendency for larger farms (in financial terms) to be slightly more economically efficient than smaller ones, but these underlying economies of scale only become apparent when allowance is made for confounding factors and when family labour is charged at the full economic rate, which over-values it from the perspective of many farmers. However, there is a very large level of variation about this relationship and the best small farms are more efficient than many large ones”¹

And:

“Whilst there are continued pressures for cereals farms to increase in economic size, these results suggest that this will not necessarily lead to increased economic efficiency, particularly where it involves increased debt and increased dependence on contractors rather than family labour...”²

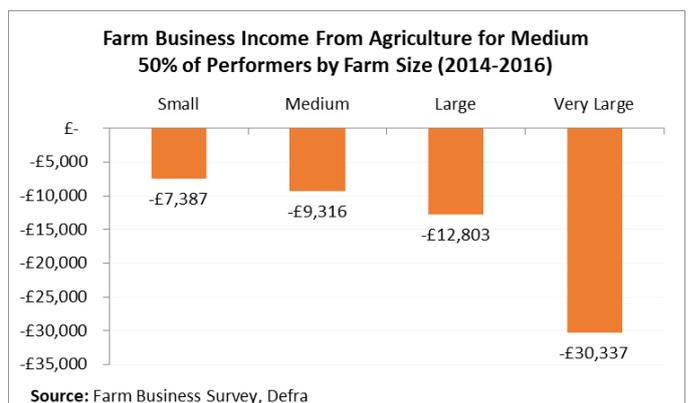
These findings are supported by a study which found decreasing returns to scale for farms in England and Wales³.

This weak relationship between farm size and economic performance therefore places significant uncertainty on any argument which proposes that large farms would be better positioned to bear the impact of payment reductions. Where cross subsidisation from diversified activities may support some businesses, as a whole the core enterprise of agricultural production would be significantly impacted. This is of particular concern to domestic food production where, as the Evidence Compendium illustrates, the larger farms which represent 16% of English farm businesses produce 74% of agricultural output. The ability of such large and very large businesses to continue such production would be adversely impacted by targeted payment reductions based on scale.

On page 21 the consultation document states:

‘It has been argued that these large farms generally benefit from economies of scale, have the greatest assets and therefore can best cope with payment reductions. However, some of these large farm businesses do currently rely on direct payments to break even’. (p21, Command Paper)

However, the Evidence Compendium fails to provide any evidence of the positive impact of economies of scale on farm business income whilst the Command Paper accepts the implied variability in performance regardless of scale in the statement *“some of these large farm businesses do currently rely on Direct Payments to break even’* (p21, Command Paper).



¹ Page 25, [Defra Agricultural Change and Environment Observatory Research Report No. 25, 2011](#)

² *ibid*

³ Hadley, D. (2006) Patterns in Technical Efficiency and Technical Change at the Farm-level in England and Wales, 1982–2002 *Journal of Agricultural Economics*, Vol. 57, 81–100.

Evidence from Defra Farm Business Survey data demonstrates that during the two year period between 2014 and 2016, on average, farm business income losses from agriculture increased in relation to farm size for the medium 50% of performers across all sectors. This is consistent with the logic that, as commodity producers, the gains and losses per unit output are compounded in line with the scale of the enterprise. In effect, where larger farms make larger profits during times of high output prices; they also experience larger losses during periods of market downturns. During such a period, direct payments play a vital role in ensuring the economic viability of farm businesses of all sizes as illustrated in the graph.

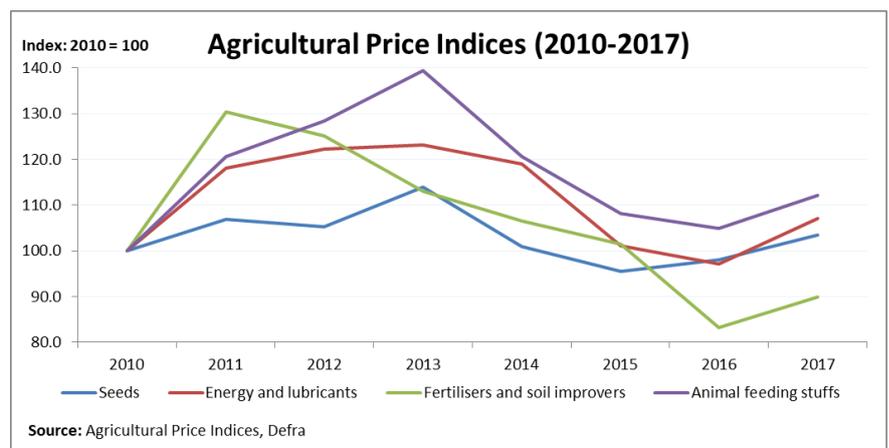
Some argue that large holdings could use land as an asset base against which to borrow and therefore should be less concerned over reductions to these size holding first. The NFU would like to point out that while arable farms are typically the largest farms in terms of area, arable farming is becoming increasingly decoupled from land ownership as operators have to achieve economies of scale through either contract farming or renting land. As such, the sector cannot rely on a land asset to borrow against as a source of financial resilience.

In the absence of any strong evidence to support the claim that larger farms benefit sufficiently from economies of scale to ensure their ability to overcome the impact of payment reduction, the NFU advocates that any reductions be applied equally to all farm sizes. This position is reinforced by the Farm Business Survey evidence presented which demonstrates the significant exposure of all farm businesses to market downturns.

The ability for farmers to realise efficiencies from redirection of funds

While farm businesses have the potential to drive efficiencies to increase resilience over time, these in practice will be realised incrementally over time as farmers restructure rather than through any radical realisation of increased profitability over the short-term. This is particularly the case as variable costs make up approximately 50% of total costs and farmers have limited control over highly variable input costs such as fuel, feed, fertiliser and seeds which respond to global market conditions and any emerging trade outlook.

The graph to the right illustrates the highly variable nature of input prices in agriculture with seed prices increasing as much as 9% between 2012 and 2013, energy prices falling by 18% between 2014 and 2015 and fertiliser and soil improver prices increasing by 30% between 2010 and 2011.



This reinforces the impact of such volatility as stated in the Defra Evidence Compendium that,

“The Total Income From Farming can vary hugely from year to year and therefore it is important to consider more than just one year when interpreting the performance of agriculture” (p21, Evidence Compendium)

As such, with highly variable annual margins, farm businesses will require time to assess the effectiveness of management interventions which seek to drive efficiency and increase profitability which in turn would trigger another cycle of iterative improvements.

With Brexit set to impact access to markets and the operating conditions for farm businesses, farmers will need time to evaluate emerging opportunities and threats before restructuring their enterprise to adapt accordingly. A key factor is also the availability of timely market information and the ability of farmers to interpret trends in order to make informed business decisions and develop robust business plans in a changing environment. This will take time, as there will inevitably be a lag between macro-economic impacts, information transmission on potential farm level impacts and a plan to respond in collaboration with key business partners and counterparties.

The uncertainty of the wider context of investment is in addition to the fact that many productivity improvements can often have long lead times. For example, improvement of soft skills such as management skills requires training, guidance, advisory support and practical experience through application before benefits are realised over

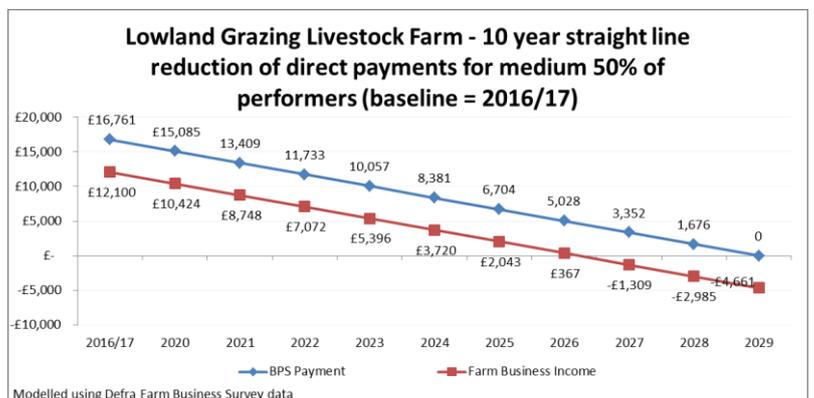
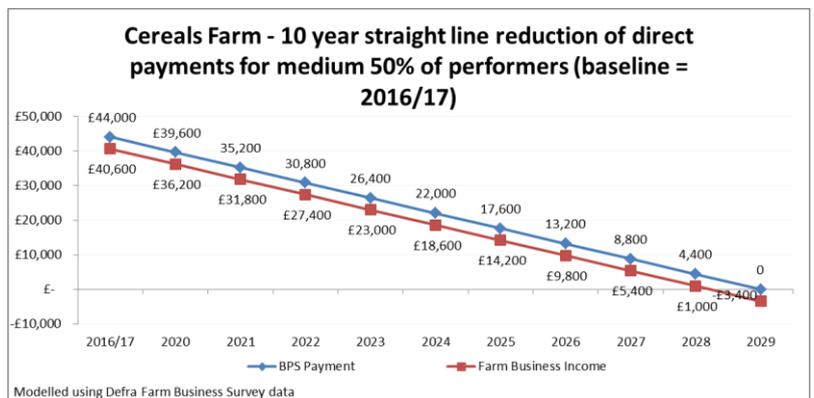
time. Similarly livestock and dairy enterprises often have long operating cycles of three years or more before the benefits of interventions such as improving genetics are realised. In livestock enterprises, the productivity benefits of re-seeding are generally costed within five year cycles with the same being true for lime, phosphorous and potassium applications to improve soils. Investments in fencing are often costed over ten year periods. For horticulture enterprises newly planted orchards or fruit trees can take 5-6 years to reach a point at which a marketable yield is delivered.

Making cuts commensurate with the ability to spend redirected fund and the viability of new schemes

What is absolutely critical during a transition period is the need to avoid a funding gap or unspent funds. Therefore provision must be made which clearly states that if a BPS replacement scheme is not progressing satisfactorily in its design and delivery, any reduction of BPS monies should be stopped until satisfactory progress has been achieved. This may be important in the context of IT system failures and other operational issues which may arise with any new system. In essence, Defra should only make reductions to the BPS that are commensurate with its ability to redeliver those funds back to the industry. Once pilots and trials demonstrate effectiveness, the rate of reductions applied to BPS could in theory be accelerated, however this is dependent on how new scheme design and roll out progresses.

The graphs illustrate the impact of straight line reductions to BPS on an average performing farm business over a ten year period using farm business survey data and assuming all other factors remain the same. By year 5, Cereals farm business income would reduce by 54% to £18,600 whilst Lowland grazing Livestock farm business income will reduce by 70% to £3,720. This highlights the importance of mobilising replacement forms of funding through new schemes early in the transition in order to support farm business viability and farmers ability to invest in productivity and resilience.

This contributes to the case for a long transition period and the importance of ensuring that schemes are deliverable. It could also be argued that a straight line reduction ensures that the reduction profile matches the incremental approach to realising efficiencies rather than forcing major sub-optimal adjustments due to a cliff-edge reduction which in itself will undermine farmer confidence.



A smooth transition

Experience over the past fifteen years has shown significant changes to policy presents risk and can prove disruptive, whether this be the introduction of the Single Payment Scheme, the Basic Payment Scheme or as in 2015, the implementation of new digital mapping IT systems which prompted significant delays in payments being made.

Whilst a degree of disruption is inevitable, its impacts can be minimised on farm businesses looking to adjust to new economic conditions through providing a smooth transition to a new system. This can be achieved by applying the same rate of reduction annually to all farm businesses as detailed above. It could also be help simplify the process by removing complexities such as payment bands with variable reductions or hard capping.

Following our departure from EU control there is an opportunity for the government and industry to work together in order to determine an appropriate timescale for any new schemes to be implemented. From past experience it is evident that a new scheme takes at least three years to be thoroughly developed and piloted before it can be

rolled out. There is an opportunity to devise new schemes that are more cost effective and time efficient which may be managed by all parties in the intervening years before a new scheme comes into place.

Given the need to trial and review these new policies, and uncertainty over the wider trading and regulatory environment, the NFU does not believe it is sensible to impose an arbitrary timeframe on the length of transition required. What is critical is the government's ability to design, develop and implement effective measures to replace the current system. Therefore, government should formally commit to a review no later than two years into the agricultural transition period to provide a comprehensive assessment of the impact of reform. As direct payments are reduced, the review will provide an assessment of how appropriate the design of new policies is; the ability of farm businesses to manage the reduction in income; and the impact of this on the wider economy and the domestic supply of food.

Length of transition required

Given the need to trial and review new policies, and uncertainty over the wider trading and regulatory environment, the NFU does not believe it is sensible to impose an arbitrary timeframe on the length of transition required. What is critical is the government's ability to design, develop and implement effective measures to replace the current system. To this end, the NFU calls on the government to set out a very clear timeline against which its progress should be measured, with a specific review clause set out for review no later than two years into the agricultural transition period. This review of progress will provide a comprehensive assessment of the impact of reform, and so allow government to manage and mitigate any adverse effects and to take account of greater clarity of the impact of the Brexit settlement and developments in our international trade policy. In particular, as direct payments are reduced, the review will provide an assessment of the ability of farm businesses to manage the reduction in income – through increased alternative revenue streams or reductions in costs - as well as of the impact on the wider economy and the domestic supply of food. The government must be willing to pause cuts in direct payments if their reduction is shown to be unmanageable given the adverse effect this may have on farm incomes, domestic food supply and delivery of public goods.

Conditions for receipt of BPS during the agricultural transition

Defra propose two broad options for continued eligibility for receipt of BPS payments during the transition period. The NFU's view is that payments should continue to be made to the active farmer. The NFU recognises that one of the aims of the "radical simplification" option would be to stimulate structural change in the sector. The NFU sees great merit in exploring the issue of generational change within the industry, but feels implementing this feature as currently described in a future BPS scheme is not the right solution. The NFU would therefore welcome further conversation about developing entry and potentially exit assistance schemes. An appropriate time to develop such policies would be during our proposed review two years into the transition. At this point, the NFU proposes an assessment of the suitability of introducing an optional "bond" approach whereby some farmers may choose to invest the money in a variety of ways, including a move away from farming. The successful introduction of such an approach requires much greater certainty on future policy direction than is possible in the current environment however. There will also need to be specific account taken for the health and wellbeing of any business owners who leave the industry alongside financial concerns.

Further considerations

Beyond questions directly posed in this section of the consultation, there are several other areas that the NFU would like make comment.

Perverse outcomes: Options i (progressive reductions) and ii (hard cap) as set out in the consultation paper potentially create incentives for landowners to restructure their ownership profiles in order to avoid incurring significant reductions in payments. This has the potential to drive suboptimal decision-making to operate at scales which protect direct payments rather than optimise the business structure to improve long-term resilience. In effect, this also introduces a degree of complexity in managing claims and tracking changes in beneficiaries which will reduce the cost-effectiveness and reliability of any approach to transition. Applying the same rate of reduction to all claim sizes would simplify administration, monitoring and provide greater clarity around market and policy signals for farm businesses.

With regard to administration, there should be no associated complex rules to restrict any farming businesses' ability to claim BPS payments. In our view, applying a universal reduction percentage across all claim values would avoid many of the adverse situations arising if either options proposed by Defra prevailed. For example, it

avoids businesses finding themselves placed into different categories of claim value, while still competing against businesses of comparable operating models.

Minimum claim size: the NFU has heard from some of its members that investigating a minimum size of claim would be worthwhile. The NFU would be keen to understand government analysis on this. The aim would be to ensure that monies from the agricultural budget are delivered to those businesses where farming is the main activity. It would also need to be coupled with an active farmer test.

Trade, labour and regulation: A new trade environment with both EU and non-EU countries will have cascading economic impacts throughout the supply-chain both upstream and downstream for agricultural businesses. This will significantly impact output prices as well as input costs. Such impacts will last many years as supply-chains and markets adjust, firstly to a new UK-EU relationship and then to ongoing trade deals with non-EU nations which materialise over the next few decades and onwards. Such trade deals will in turn significantly influence the market within which farm businesses operate, the regulatory regime and the availability of labour which can often be closely related to trade relationships. This will create significant uncertainty for farm businesses particularly in the early post-Brexit years as the major decisions regarding the UK's new role as a global trading nation are made.

Farming excellence and profitability

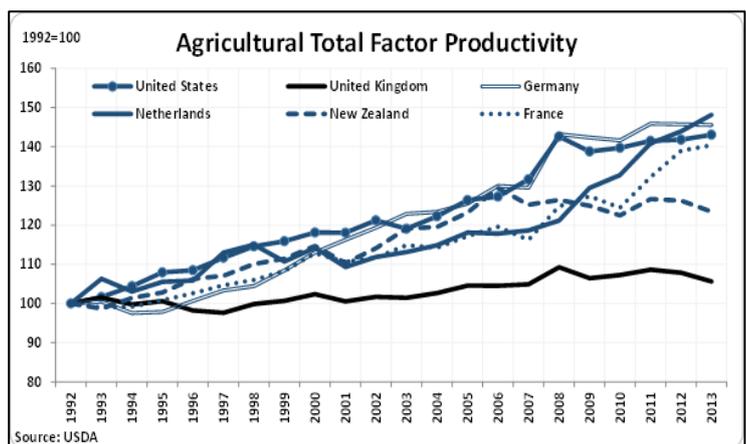
Improving farm productivity and profitability should be a central aim of future policy. This is a key cornerstone for domestic agricultural policy. The NFU proposes the introduction of a suite of measures that delivers significant on-going funding during and after the transition from the CAP direct payment system. Successful productivity improvements not only increase financial returns, but moreover make a positive contribution to environmental, animal health and welfare objectives through better resource efficiency. It should not be seen as simply producing more, but rather how to get more out of farm inputs and greater profitability. Farmers have been making efforts to improve productivity for decades, but are aware that there is potential to go further. This potential should be encouraged across all business types and performances, rather than focus on specific groups.

Improving productivity is multifaceted and complex. There is no single solution and the NFU believes each of the areas outlined by Defra are important to different degrees to different farms. The NFU welcomes the focus on productivity and investment but believes there should be a greater emphasis on this in both future policy and not just limited efforts during an agricultural transition. There needs to be recognition that investments take time to see a return and that this alone is unlikely to ensure profitability in the short and long term. Furthermore improving productivity can also lead to reductions in labour requirements, which can run contrary to stated policy aims of schemes such as within the LEADER scheme.

Creating specific opportunities for new entrants is important and policy's role in making farming an economically attractive prospect is fundamental to this. Policies in both the short and long term should also take account of the valuable mixture of land tenure practices in the sector. Tenant farms or farmers on common land for example have different requirements and the NFU believes that policy should ensure that none are at a disadvantage in participating in future policies. Improving productivity goes beyond funding for direct investment and there are many areas of policy, for example taxation and planning, that can help create better conditions for profitable farming. It is clear to the NFU that a stable and predictable regulatory environment is a fundamental factor in encouraging investment and improvements in productivity on-farm.

The NFU has previously laid out its views in its paper "[Improving agricultural productivity](#)" (annex 2). This section considers the key elements in improving farm productivity and how policy can be designed to meet its aim. The messages here are relevant for both investments of potential funds redirected from direct payments during the agricultural transition and Productivity and Competitiveness public good outlined in for the future policy.

Whilst it is difficult to pinpoint absolute levels of agricultural productivity rates compared with other countries, the relative rates of increase as shown by Total Factor Productivity in the graph highlights the fact that the UK is lagging behind other countries. Although labour productivity in particular has improved over time, more recently this has also grown at a slower rate. The NFU would also encourage more government analysis of productivity data to better understand the drivers behind changes. There is some concern over the reliability of some data and that is not granular enough to meaningfully relate it to specific sectors. This is essential to address so that efforts to tackle any problems are correctly directed.



Nevertheless, as a principle, if the UK is to become more competitive, it needs to become more productive especially if it is to fill the void left by any decline in direct payments. This will mean different interventions in different farming sectors, which we outline below. Productivity improvements should be considered in the context

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of wider government strategies on food production that the NFU believes the government could pursue – this is detailed in the public money for public goods section.

One certainty, however, is that there is a wide variation of productivity across individual farms and within individual sectors, which is highlighted at length in the Command Paper [evidence pack](#). Industry data also makes a useful contribution. For example, data from the dairy industry shows that while the top 25% performing farms are nearly three times as profitable as the bottom 25%, they are both physically smaller and have a lower yield per cow than that bottom 25% of performers⁴.

As a result, there is clearly scope for industry support to be directed at identifying the limiting factors to productivity gains across sectors as well as directed to address these barriers to improve the competitiveness, profitability and overall resilience of agriculture. There needs to be a clear distinction between what government's role is and what can or should be done by the industry. The best way to designate specific roles will become apparent as policy is designed. However, the industry-funded Agriculture and Horticulture Development Board (AHDB) will clearly play a prominent part in improving productivity. The NFU believes that future farm policy and the AHDB's activities can be mutually supportive without duplication. The AHDB's work should not be seen as a way to replace policy initiatives, but there is clear opportunity for the organisation to supplement policy objectives and this activity should be considered as an important part of a wider supportive environment for productivity measures of the Domestic Agricultural Policy.

The key areas of focus

The NFU has outlined its [vision](#) for a fully integrated productivity programme. The measures highlighted **within** the inner circle are directly delivered through the public investment in the DAP e.g.

- Enhancing the viability and competitiveness of all sectors;
- Promoting innovative farm technologies and practices;
- Promoting food chain organisation, animal welfare and risk management;
- Restoring, preserving and enhancing farm ecosystems;
- Promoting resource use efficiency;
- Supporting the shift toward a low-carbon and climate-resilient economy in the sector.

The **outer** circle shows the wider policy and infrastructure landscape through which the programme is enhanced.



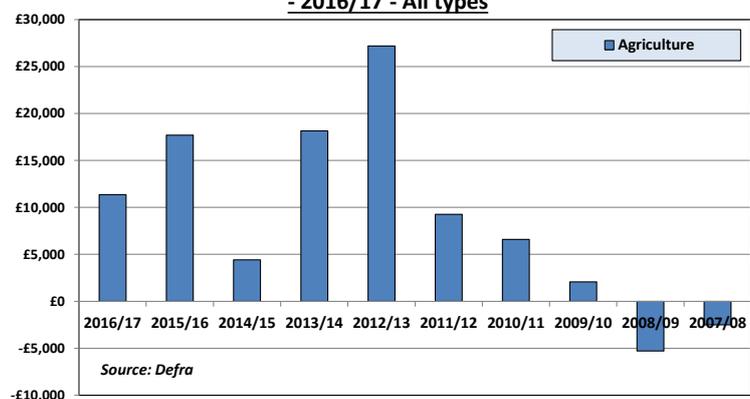
The NFU therefore believes that all of the priorities listed in the consultation questions are of relevance and more besides. The importance of each varies between farm businesses and farming sector. The following sectoral analysis therefore provides more insight into more direct answers to the question posed.

The main barriers to new capital investment to boost profitability and improve productivity on farm

While farm sectors and business have individual reasons as to why they cannot invest, there are a number of common themes that touch many.

Farm profitability and cash flow: Significant price movements in agricultural commodities have become ever more frequent with price volatility having increased significantly during the past decade. Although the reasons for this are multiple and complex - the result is that farmers experience wildly fluctuating income, and resultant cash flow from year to year. This

Farm Business Income from direct agricultural activity: 2007/08 - 2016/17 - All types



⁴ Data provided by Kite Consulting, 2018

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can be illustrated by reference to Farm Business Income from direct agricultural activities, which fluctuates wildly in response to market conditions. As a result of this, and depressed farm incomes on the back of low commodity prices over a number of years, farmers are less able to efficiently manage farm operations in the short term and may be required to delay or cancel much needed investment on-farm. Short-term impacts on cash-flow can also place significant pressure on the financial viability of an otherwise profitable business which significantly undermines investor confidence thereby having an adverse impact on long-term profitability and productivity.

Farmer confidence: The level of farmer confidence is absolutely critical to the future of a profitable and productive food and farming sector, on which Brexit is having a significant impact. Farmer confidence critically underpins investment on farm, determining whether farmers decide to invest in new capital equipment or defer or even cancel expenditure altogether. Making investment decisions for the long term, for example in buildings and other farm infrastructure, against the current backdrop of increased political uncertainty and price volatility, is challenging. Moreover, the latest NFU Farmer Confidence survey shows that despite a rise in short-term confidence (which has been buoyed by the falling pound pushing up commodity prices and better export prospects), the same survey showed that farmers' confidence for the medium-term (three years) has decreased into negative territory for the first time in eight years. Furthermore, our survey showed that twice as many farmers are going to reduce investment (20%) as increase investment (10%) because of uncertainty associated with Brexit.

Broadband: Farmers with superfast broadband are more likely to invest in new technologies that aid productivity, expand their farm businesses, and are able to take advantage of wider business opportunities that require enhanced connectivity. The provision of rural connectivity infrastructure as a whole is key to putting farmers in the best possible position to make the most of new technologies and decision making tools. The lack of access to a fast and reliable broadband or mobile connection experienced by many farmers acts as a constraint to capital investment on farm. Evidence from a CBI research publication "[From Ostrich to Magpie](#)" demonstrates that productivity is strongly linked to technology take-up and improved management practice. If farming is to become more competitive, then access to this essential infrastructure is paramount.

Evidence from a recent [NFU Survey](#) in 2017 found that despite the number of members receiving superfast broadband having doubled to 9% since 2016, 50% of members surveyed said they received download broadband speeds of 2Mbps or less. In addition, 73% of members said their upload speed was less than 2Mbps. Britain's industrial strategy needs a digital backbone, but the current level of government ambition is disappointing with a potential promise of 10 mbps per second by 2020. The target is notably 30 mbps in the same period for the EU. A comprehensive policy to fully connect rural Britain will be a great investment towards transforming agricultural productivity.

According to Defra statistics, 64% of farmers have diversified businesses in 2016/2017. Increasingly farmers are diversifying their income with broadband speed dictating both the uptake and success of some diversification projects. A diversified income goes some way to reduce the risk profile on farm and mitigate the effects of price volatility. On-farm tourism, the letting of buildings for business use and for renting out property for housing are being particularly affected by slow broadband rates. The benefits from better connectivity do go further, the use of CCTV and mobile phone messaging can help reduce crime for example to help reduce crime and improve farm safety.

Access to finance: Removing financial barriers to aid the ability of farm businesses to invest in capital investment and providing grants alongside other methods of financing investment are central in any future programme. Even if credit is available on the market, keeping up repayments can be difficult in volatile market conditions. Loans with repayment frequency and amounts linked to changing business returns may therefore unlock further investment.

Innovative finance

Irish milk co-operative Glanbia introduced the Glanbia MilkFlex Fund in 2016 which offers flexible, competitively priced loans to Glanbia milk suppliers with loan repayments which vary according to seasonality and movements in milk price. The purpose of the Glanbia MilkFlex Fund is to provide Glanbia milk suppliers in the Republic of Ireland with an innovative funding product to support investment in on-farm productive assets (including livestock, milking platform infrastructure and land improvement). Since its arrival on the market in May 2016, the Fund has received almost €90 million in loan applications. The average value of MilkFlex loans drawn from the Fund is €100,000 to date. A key feature of this innovative loan product is that it has inbuilt 'flex triggers' that adjust the repayment terms in line with movements in Glanbia Ireland's (GI) manufacturing milk price and seasonality, thereby providing farmers with cash flow relief when most needed. Rabobank, the Ireland Strategic Investment Fund, Finance Ireland and Glanbia Co-Operative Society are co-investors in the Fund while Finance Ireland originate the loans and manage all aspects of the Fund.

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Equally, public bodies could offer guarantees for private investment that may reduce risk levels to allow credit to be provided to the industry that otherwise wouldn't be. Finance should be accessible to all farmers and the system by which it is obtained timely and un-bureaucratic.

Tenant farmers: Bank lending is an issue for tenants and new entrants to the industry. Banks often will not lend larger amounts due to lack of security as a tenant does not have satisfactory assets to secure the loan to. In addition, the average length of a FBT is currently 4.48 years⁵ although many are still significantly shorter than this. Without this security tenants cannot get bank funding and are loathe to invest in the holding. Landlords are also required to give permission for on-holding investment. Even where permission is given by a landlord, this is often subject to writing down the cost of it when paying end of tenancy compensation. This can discourage tenants from investing. New entrants often lack financial resources which can make securing a new tenancy difficult when competing with those who are not relying on borrowed money. Tendering using loans from usual lenders are often dismissed by landlords due to the lack of assurance. Loan guarantee schemes however are attractive to landlords as the risk element is removed by the guarantee. This can help place new entrants on an equal footing allowing them to secure new business opportunities. Levels of interest would need to be low to give the start-up business every available chance of success.

The Defra/industry partnership of Tenancy Reform Industry Group (TRIG) has recommended that to encourage increased investment on holdings, the landlord could be given an ability to ring fence on their investments on a holding without affecting rent or rent review. Some grants are not available to some landlords for example, county councils. Enabling them access may see increased investment on tenanted holdings. This would have to be subject to the tenant consenting to the investment since it will ultimately result in a rent increase. Some grants and loans are subject to a minimum spend on the part of the applicant. This includes loans from banks and often places them beyond the reach of tenants.

Fiscal policy: farmers require wider government policies to remain supportive of farm businesses, for example on taxation. Farm businesses desire as much certainty as possible, particularly over the next few years, and a certain and stable taxation framework with no major adverse changes will be essential. For example the current tax policy framework supports farm business succession and must continue to do so. Clearly tax policy could be improved on to further support farm business restructuring, encourage infrastructure investment through capital allowances, further mitigate the cash flow impact of volatility, and increase opportunities for new entrants. It may also need to adapt to prevent adding further cashflow burdens on businesses, for example with import VAT.

The tax element of the TRIG was one of the most contentious areas given that unanimous support for proposals was not required. The NFU disagreed with excluding let land from APR unless the letting was for a minimum 10 year term as did others therefore this was not a formal TRIG proposal. Other proposals such as limited income tax relief on farm land rents as a means of providing land to the tenanted market was supported by the NFU but only on the basis that its operation does not disadvantage or come at a cost to the active farmer. This issue may be partially addressed if owner occupiers identified to who this would apply would end up either selling their land or letting it out anyway to provide them with income if area based payments are discontinued.

The most important tax point the NFU believes should be implemented is the restoration of the Agricultural Building Allowance and further enhancements of the capital allowances system. This would support investment on agricultural holdings and in doing so increase productivity. The NFU also believes that agricultural leases should be exempt from Stamp Duty Land Tax since the added cost can act as a deterrent to tenants taking on longer term lettings which are usually more productive than those of shorter terms.

Planning policy: planning permission influences farm productivity. For example, housing that improves animal health and welfare or new glasshouses, packhouses or polytunnels for produce are examples that have a direct bearing on productivity. The planning system needs to address key issues such as appropriate siting, design and access in a timely manner and avoid imposing a regulatory burden or a hindrance to development. There is an increased role for permitted development rights to free up the planning system. With this in mind, the NFU welcomes that fact that from 6th April 2018, most farmers with holdings of 5ha or more will now be allowed to create up to 1,000sqm of new agricultural building floor space under updated permitted development rights known as Part 6 Class A. We believe that permitted development offers a much simpler, quicker and cheaper way to get farm development through the planning system. It provides more certainty for farmers trying to improve their farm businesses and eases administrative bottlenecks for all concerned while ensuring there is appropriate control. The NFU will be responding directly to the current government consultation on the updated draft National

⁵ CAAV Annual Land Occupation Surveys for Great Britain 2016

Planning Policy Framework to explain how the planning system can be better used to promote productive agriculture. However, we would stress that we would like to see an improvement in the consistency in the planning system. This should include training for all those involved in decision making through the planning system that leads from the top and is devolved down and monitored in all areas of planning. There should also be clear guidance to be given to those who comment on planning applications, both statutory consultees and third parties so they are better informed of their rights and responsibilities. Enabling competitiveness and permitting farming operations must be embedded to a greater extent within existing planning policies to counter the current lack of understanding/appreciation. A review is also needed dealing specifically with how farm planning applications can be improved, and speeded-up, from pre-application, through processing to the need for legal agreements.

Lessons from low uptake of existing funding: the points on improving the functioning of the RDPE covered in the *Reform within the CAP* section provide lessons for the design of future government backed productivity schemes. However, in many instances the onerous and bureaucratic application process of current schemes has led to delays in the processing of grant applications. The costs and time involved in making an application are very often out of proportion with the actual funding on offer resulting in a low uptake of grant applications and reluctance to apply for future funding. There have also been cases of it taking very long periods of time to receive funds even when they are approved. Investment eligibility is also in need of review in some cases – for example the need to prove that an investment is linked to increased employment runs contrary to the wider need of some sectors, often encouraged by government, to reduce their reliance on labour.

There is clearly a need for these schemes to take better account of the farmers' perspective in order for them to be successfully delivered and this must start in the design phase. Promoting schemes and making them navigable is key to avoiding the redirection of funds from programmes to private services that advise on participation. In short, money should not be lost to the taxpayer or industry through inefficiencies in delivery.

New entrants: A burden to new entrants into farming is the lack of available land to either rent or farm under an alternative arrangement. At the same time, owner occupier farmers who wish to take a less active role in the day to day running of their businesses but do not have anyone to succeed or take over are looking for ways to introduce someone new to the business on a gradual basis until they wish to retire fully. This gives an opportunity to new entrants to get into farming. Therefore the NFU believes there should be funding for schemes such as the Freshstart Land Partnerships Service where owner occupiers and new entrants are matched into a mutually agreeable arrangement. Arrangements can take the form of tenancies, share farming or other contractual arrangements providing a new entrant with a business opportunity and allowing land to be more productively farmed. There is currently only limited funding for this scheme which has impacted on its success. Greater success however is evident in a similar scheme in Wales (Farming Connect's Venture programme) which receives much more substantial funding levels. In Scotland, NFUS is also piloting new practical dairy apprenticeship schemes linking year 10 and 11 school pupils with local dairy farms, milk buyers and rural colleges.

Some farmers would like to retire but wish to remain living on the farm where they have spent their entire life. A mechanism to bring more land onto the tenanted market would be to change planning policy allowing for a retirement dwelling to be built on farms. The NFU believes this would enable a retiring farmer to remain on the farm but rent out the land.

What does improved farm productivity mean for different farming sectors?

Different farm sectors will naturally have specific requirements. This also applies to different production systems. For example, organic producers will have different needs and considerations when seeking to improve productivity, but this should not discount them from valid participation in any such scheme as conventional food producers. Therefore investments in productivity schemes should recognise the different needs of sectors and production systems and take this into account rather than discriminate for or against any particular system or sector.

It is difficult to assess the exact and absolute tangible productivity improvements brought about by investment in capital equipment on farm. Moreover, the macro-productivity trends that are highlighted above do in fact mask some specific trends that have been seen within sectors over recent decades. For example, labour productivity in horticulture has seen a huge rate of improvement, yet the official statistics show a gradual, slower rate of growth across the industry as a whole. Furthermore it is difficult to assess or quantify productivity gains from the

installation of certain types of equipment, and benefits often go beyond pure financial returns and contribute to less immediately tangible benefits such as improving environmental impact or the safety of workers.

A common challenge that all sectors face, and that is fundamental to their productivity, is that of climate change. Adapting to and mitigating climate change should not be narrowly seen as an environmental objective. It has the potential to affect the productivity of the sector and even its fundamental capability to produce. However, the right investments in productivity can also play a critical role in contributing to reducing greenhouse gas emissions for example or helping the industry adapt its production to new climatic conditions. This is another compelling reason as to why productivity cannot be narrowly defined as simply producing more and the benefits of pursuing it go far beyond financial gains.

With a diversion of funding from direct payments to productivity measures, there is more scope to allocate funding to specific measures that promote improving productivity and sustainability of individual commodity sectors. The NFU is proposing that specific productivity schemes and investments can be established through government support.

More than money

Productivity investments often provide far more than financial returns. For example, a new cattle crush can deliver the following:

- Health and Welfare: low stress, higher quality meat, less losses (abortions stress)
- Health and safety: allows the handler safe and efficient access to the animal
- Productivity: time savings, more effectively handling the animal
- Labour: micro businesses, frees up time for other activities and allows a small business to continue performing as a one labour unit enterprise.

This is just one example, but the principle holds true across all farming sectors.

Crops

Detail on the productivity challenges facing the crops sector is still somewhat poorly understood with limited reliable data and caution should be taken that funding and effort is not channelled down the wrong route. However the sector is ambitious and is hungry for a policy environment that allows productivity gains from science led innovations. Meeting this diversity of challenges involves dealing with the following issues:

- A fundamental challenge is long term certainty for the sector in terms of profitability, global market volatility, the regulatory environment, market expectations, environmental objectives, exchange rates among many others. There is naturally a limit as to how much government intervention can affect each of these areas, but it does highlight the important role of some stability and liquidity for arable cash flows, currently delivered through direct payments. There is therefore urgency for new productivity investment opportunities to be made available quickly and deliver quick outcomes rather than solely focussing on long term investment.
- Productivity investment schemes should avoid being overly prescriptive given the variation in business type and structure in the combinable crop sector. Such schemes should take more of a framework approach that enables businesses to tailor detail around, geography, climate, soil type and business structure. Looking for “silver bullets” should be avoided.
- It is important to keep in mind that although the pig and poultry sectors are not directly supported through the CAP regime, the productivity gains in these sectors has been supported through the competitively priced availability of domestic feed grains. In the return cycle, the presence of a thriving livestock sector provides a supply of animal manure for the arable sector to use and reduce reliance of manufactured fertilisers. If either of the sectors are unable to thrive, current and future productivity can be put at risk. Therefore improving the productivity of one sector should go hand in hand with improving it in another.
- Markets play a crucial role in dictating arable rotations and currently the UK rotation is not in balance as there are not sufficient markets for non-cereal crops which are really useful to break disease cycles for example. New markets for non-cereal crops would help balance the rotation.
- Weed burden is a key barrier in cost effective crop production, but some existing crop based schemes risk making weed burdens worse. A better balance can to be found between weed management delivering on biodiversity objectives.

Tackling these challenges, and in turn the productivity of the arable sector, is in some cases more fundamental or wide ranging than straightforward on-farm investment. However, there are still practical opportunities that government could seek support:

- Arable enterprises have expressed interest in a number of precision technologies, including GPS hardware to aid the planting of seed and the application of inputs such as fertiliser and plant protection products.

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- Improving field drainage would also be beneficial for many enterprises. Precision harvesting and crop analysis technologies to achieve the best possible yields could also be useful.
- More systems-based science and economic research to enable farmers to find new ideas best suited to their circumstances.
- Farm-to-farm trading between arable and livestock sectors is under developed for feed grains, forage, bedding and manures. If farm-to-farm trading can be more formalised, giving counterparties confidence, more value can be held at the farm level. This will also allow the industry to capitalise on the productive advantages that mixed farming brings, but enable individual businesses to specialise on what they do best.

The NFU is very keen to stress that productivity gains for arable farms can go very much hand in hand with environmental benefits. Examples of this that government policy could support include:

- Rotational cover crop with variable length options, bonuses for flowering species and diversity of species. This would help balance the rotation, if commercially viable, whilst boosting long term soil health and biodiversity.
- Overwintered stubble with weed management capability would provide a resource for farm land birds and allow farmers to tackle problem weeds. The current scheme is too restrictive, risks weed problems getting worse and so limits uptake.
- Small fields are less productive and involve more machinery down time for turning etc. But, small fields with natural boundaries deliver environmental good. Sufficient reward to fill this productivity gap would ensure viability of these parcels. Anecdotally, UK arable fields are smaller than global competitors so this imbalance needs to be recognised.
- Marginal land scheme to allow farmers to deliver bonus environmental outcomes when prices are low and produce additional food when prices are high. This would allow farmers to better respond to market signals.
- Field margins deliver environmental benefits and allow farmers to take difficult corners / short work out of production. As machinery has got larger, some field corners for example are more difficult to crop. Having a viable scheme to put these parcels into would deliver habitat and productivity gains.
- Where crop production on headlands is marginal these can be placed into a scheme and act as turning space for machinery. This helps the environment and helps manage the impacts of soil compaction on productivity.

Dairy

In terms of productivity based on milk volumes and herd size, UK dairy productivity has improved significantly over the past 10 years, with milk yield increasing from 5,700kg in 2006 to 8,000kg in 2017. This 40% increase in yields is in parallel with a 36% lower carbon footprint. Put into the context of global production, the UK's cost of production is lower than key EU competitors such as France, Germany or the Netherlands, but is still substantially higher than some producers in New Zealand or the US.⁶ Against this background, the NFU believes that there is scope to improve the sector's productivity, which would also deliver on animal health and welfare, environmental and profitability objectives.

Barriers to improving dairy productivity are variable, but key restraints are:

- Animal Health and Welfare: lameness, mastitis, fertility, Johnes Disease, BvD, pneumonia and poor calf health are conditions that all have quantifiable costs, are detrimental to the animal and the productivity of a herd.
- Data: the current focus of the Livestock Improvement Programme (LIP) is traceability and the protection of human health. However there is scope for a future database to deliver much more. The farming industry wants to move to a phase where as well as guaranteeing traceability the LIP pulls together all the data on individual animals to drive productivity gains and benchmark performance.
- Farm infrastructure: The design, layout and management of dairy buildings can have a significant effect on many areas in milk production, whether this is the effect of ventilation on disease control, cubicle design for cow comfort and mastitis control or footbath design to reduce lameness.

⁶ International Farm Comparison Network (IFCN): UK dairy farmers produce milk for on average around \$38 per 100kg (or 29ppl for ECM in UK prices). This compares well with EU competitors such as Holland (\$42), Denmark (\$44), Germany (\$39) and France (\$43). The US does produce milk at less than \$38, especially from its larger scale units which can operate at around 20-22ppl. New Zealand also produces a seasonal milk supply for around \$30 (23ppl).

- **Breeding:** high quality cattle are at the heart of profitable dairy farming. This requires good quality genetics and without this on milk production, health, welfare, management and type traits. A series of poor breeding decisions can mean the difference between profit and loss.
- **Nutrition:** it is not uncommon for there to be as much as 2ppl difference in feed costs between two similar yielding systems, a figure that will make a significant difference to a farm's profitability. Regular monitoring within a herd can show up some valuable signs of how well feeds are being utilised by cows and if the introduction of a new feed or silage crop has disturbed the balance of the diet.
- **Nutrient management:** Slurry can be seen as a major problem on dairy farms due to the high cost of providing storage and the cost of spreading. On the other hand slurry is an important source of nutrients for grassland and crops with an average value of £78 per cow produced per year.
- **Skills and training:** The UK Commission of Employer Skills report in 2015 showed a lack of specialist skills or knowledge was an issue across economic sectors. This is true for the dairy sector, with a big demand for skilled workers such as herdsman and stockmen, which is becoming increasingly difficult to meet given current labour shortages.

In light of these barriers, the priority areas for investments and policy interventions to help improve productivity on dairy farms are:

- **Farm infrastructure:** Newer housing and infrastructure would help improve dairy cow health and welfare, as well as being more resource efficient and have less environmental impact. Therefore the NFU suggests financial support through grants and loans for upgrading and renewing farm buildings (cattle sheds, calf sheds, milking parlours, shed flooring) and for other farm infrastructure (new slurry stores, cattle handling facilities and silage pits). Alongside direct financial assistance, taxation and planning systems that encourage investment would also be beneficial. Investments that help farms make the most of their forage, through soil, silage or forage testing for example, would also be valuable. Finally, dairy farms are well placed to make good use of their resources in other ways such as in renewable energy production on farm, notably anaerobic digestion which delivers multiple environmental and farm management benefits.
- **Research, advice and knowledge transfer:** many of the challenges listed above could be addressed in some way with better knowledge on farm. The system for farmer learning and advice should be fit for purpose, navigable and support innovative thinking. Farmer thinking should also be at the heart of dairy research projects so that the correct issues are addressed with world-class research and development.
- **Animal health:** aside from capital items and improved advice, there is an opportunity to better utilise the LIP, allowing clear knowledge of the health statistics/breeding/movement recording of individual animals. Additionally, there should be funding for the removal of infected animals from the national herd and the NFU would welcome the government to develop a more proactive, positive relationship between farmers and vets to move toward a preventative approach rather than reactive.
- **Benchmarking:** encouraging benchmarking, with training, investments and better data provision, would help farmers better improve their business and help tackle the barrier described above.
- **Broadband:** to utilise the full potential of new technologies, systems and software, improved broadband access across rural areas, including more remote areas, is highly important.

Further comprehensive views on how productivity and profitability in the dairy sector can be improved are laid out in annex 3.

Horticulture and potatoes

Horticulture occupies less than two per cent of the UK's agricultural area, yet generates over 25% of agricultural value and employs the full-time equivalent of 50,000 people. It has a farm gate value of over £3.1 billion, estimated gross value of £9 billion (60% is derived from edible crops and 40% from ornamentals). 85% of produce grown in Britain is sold to the multiple retailers. Beyond field vegetable production, British growers receive relatively little in the way of government support, but a significant part of that support is provided by the Fresh Fruit and Vegetables Aid Scheme through a network of 33 UK-based Producer Organisations (POs). The NFU is advocating a new productivity linked scheme for the horticulture and potatoes sectors that builds on and expands the existing PO programme.

The productivity potential of horticulture

The UK has a fruit and vegetable trade deficit of 5.6 million tonnes; worth £4.7 billion. Self-sufficiency could rise above the current levels of 83% (potatoes), 58% (vegetables) and 11% (fruit) displacing imports through a

strategy of increased plantings, season extension, varietal development, greater crop utilisation, added-value production and increased domestic sourcing.

Productivity in the sector can be supported in a number of ways, including automation projects that reduce labour needs and increase labour efficiency. Gains can also be found by investment in the development of new crop varieties for improved yield and quality; plant breeding for pest and disease resilience; and season extension through storage and variety investments. Investment in applied research can stimulate innovation in new growing systems and drive technological advancement to improve efficiency. For example LED lights in glasshouses and controlled atmosphere storage for fruit and vegetables. Creating technologies that are low-cost to run, for example solar power equipment, would also be attractive.

Barriers to productivity

- Variable profitability levels in some sectors of horticulture have stifled investment and productivity.
- A lack of fair and equal access and availability of plant protection products for UK farmers and growers.
- Concerns over access to sufficient numbers of seasonal workers as detailed in the labour and the workforce section of this response.
- Poorer quality of labour as the availability of experienced and skilled workers reduces.
- Currently huge difficulty in securing planning consent for glasshouses, poly-tunnels and reservoirs in productive horticultural areas which is stifling expansion, investment and productivity.
- A lack of public sector science funding that acknowledges the critical importance of applied agricultural research, alongside increased investment in UK-relevant agri-science, including biotechnology.
- Uncertainty over the future availability of water for crop irrigation.
- Existing Pillar II schemes and grant funding exclude horticultural businesses due to income foregone requirements for environmental goods; criteria that require businesses to employ more people as a condition of funding; and failure to take into account the highly specialised equipment required for the sector, which can make providing three quotes for example very difficult.
- Capital allowances are not currently available for investments for example in robotics.

Productivity in practice

The UK berry industry (where most UK production is through Producer Organisations) provides an outstanding example of how match-funded grant aid has delivered great value for consumers and taxpayers and created a world-beating industry based here in the UK. Since the inception of the EU Fruit and Veg Aid Scheme, production of strawberries has increased from 40,000 tonnes to 115,000 tonnes. This has been achieved through carefully targeted investment in table top growing systems (improving labour efficiency through faster picking rates), irrigation systems (reducing water usage), protective tunnels (extending the season) and new varieties (yields, quality and innovation). Cumulatively this has enabled the industry to increase UK berry production by 400% over the lifetime of the PO scheme and achieve 100% UK soft-fruit supply to retailers during the British season. Top fruit, pea and field vegetable production has also been improved through the PO scheme.

Proposal for a future productivity scheme – building on the PO model

The current £30m in match-funded grant aid provided through the network of 33 POs plays a vital role in supporting the UK's innovative growers to plan and continually develop their activities. It helps to maintain investment whilst reducing the risk of that investment. This in turn generates improved productivity and efficiency, higher rates of return, great customer value and maintains grower confidence – factors which are all integral to the success of the sector. As the UK prepares to withdraw from the EU and the EU Fruit and Veg Aid Scheme, the UK's POs are keen to carry forward the principles of the EU scheme into a new UK-based and UK-focused scheme. We recognise that there are areas where the scheme could be amended with advantages to growers and government, and we would be keen to explore these in the months ahead.

It is important to note during any transition phase that European fresh produce producers will continue to benefit from the EU Fresh Fruit and Veg regime - around €800m - to support investments. Maintaining a UK version of a scheme with the principle of match funding will help UK producers to compete with other EU growers.

The NFU advocates the following principles for a future horticulture productivity scheme

- Simple to apply for
- Open to individual businesses and co-operatives (POs)

- Make match funded investment and loans available
- A bespoke approach to demonstrating improvements in performance from each grant application, that encompasses tangible (financial) and non-tangible benefits
- Inclusive of investments that present a productivity and environmental win-win

In this future scheme it will also be important to measure success. This is difficult in horticulture due to the diversity of crops and businesses, but at a business level commercial indices include: year on year profit/performance; profitability per hectare; input cost management; return on investment; labour efficiency; and margins over costs. But yet again the diversity of businesses makes benchmarking these indices challenging. However, the NFU believes a renewed effort by the AHDB in particular in analysing costs of production, or harnessing the available data and benchmarking this against competitors at home and abroad would benefit producers seeking to maximise their competitive position in the wider market. One avenue that may be easier for growers to engage with would be training programmes to improve businesses skills. Knowledge and sharing of best practice happens within supply chain, co-operative (PO) and marketing groups. This is an area to explore to see if data and information can be gathered to understand how performance improvements are being driven throughout the chain.

Livestock (Beef & Lamb)

The British beef and lamb sector provides some of the highest welfare, highest quality product, often produced within areas of striking natural beauty with high environmental credentials. The NFU proposes a Livestock Productivity Scheme be implemented to build upon the already strong standards of production, enable the transfer of best practice, develop the sector to become focussed on the market place and deliver on the multiple benefits that productive profitable livestock farming has across public and private sector outcomes. Through utilising the Livestock Information Programme to identify the active keeper as well as to validate on farm records, the scheme aims to deliver, reductions or the removal of on farm inspection for certain parts of the scheme. The scheme seeks to provide a suite of measures that each individual farmer can identify elements that best align with their businesses and objectives, providing these meet the set baselines, funding will then be provided based on livestock numbers and forage area. Farms of all sizes and performances should be eligible to participate.

Payments within the programme would be linked to farmer activities to achieve the following broad spectrum of outcomes:

- **Productivity:** investments in management systems or capital items that improve productivity could for example be aimed at reducing days to slaughter, improving feed conversion ratios and producing carcasses that meet market specification through better utilisation of genetics and animal breeding programmes. These examples both deliver more for the bottom line of a farming business, while also delivering improved eating quality and aiding farmers to become more market focussed.
- **Health and Welfare:** This continues to build on our high standards, particularly focussing on improved disease management programmes which would deliver a far greater return if delivered at a national scale.
- **Environmental:** Supporting the industry to become more resource efficient, for example to reduce the GHG emitted per kg impact of red meat, can support a broad range of environmental objectives. Such efficiencies could also be pursued more widely such as improving water efficiency, improvement in forage efficiency (e.g. less reliance on inorganic nitrogen fertiliser).
- **Social:** This will help support funding into rural communities, ensuring sustainable and resilient farming businesses. Productive livestock farms help support the wider agricultural and rural economy.

The ultimate aim of the scheme would be to unlock the full potential of British livestock farms. Delivering a scheme that supports the active keeper, utilising a simplified administration model, including the capability to embrace technology that allows for remote auditing. The livestock scheme could complement current and future capital grant and loan funding streams to provide a mechanism for livestock farmers to invest in infrastructure and technology that will maximise their ability to become more productive and resilient to price shocks and market volatility. Furthermore, the aim of this scheme is to align with future environmental programmes, enabling a stronger link to ensure conflicting outcomes between production and environmental delivery are avoided. More detail and specific features of this proposal are available from NFU.

Poultry

The poultry sector has been improving its productivity and output for a number of years. For example there has been 65% output growth in broiler production in less than 25 years (13m birds per week in 1994 to 20m per week in 2017) and 30% output growth in egg production in 22 years to 2017 (8.3bn eggs in 1996 to 10.8bn in 2017). This has consistently met market and consumer demand for a high quality, safe and traceable product in increasingly higher welfare systems.

The poultry industry has been successful regardless of government support. However, the changes brought about by Brexit and shifting to a new agricultural policy landscape are potentially hugely significant for the sector. Moreover the sector has much to contribute to the environmental and productivity objectives of the country. Therefore there is a case to consider the benefits of government intervention in improving the productivity of the poultry sector and ensuring its long term viability. Against this background, the NFU believes that the key areas where improvements can be made for the sector are:

Shed refurbishment: in 2015 a NFU survey of broiler sheds in England in Wales found that the average age of a broiler shed was 32 years. The survey, which covered 65% of the industry, revealed that 54% of all broiler sheds in the country are over 25 years old, while 25% are more than 40 years old. Insulation in aged sheds is very likely to be of low efficiency value. Refurbished sheds report up to a 40% reduction in energy use. In addition to greater efficiency it is very likely that the environment in the shed is more conducive to the health and welfare of the birds. This delivers both improved productivity (through efficiency) and improved bird health and welfare. The improvement in bird health and welfare is also likely to be reflected in reduced veterinary intervention and medication. To address this, the NFU proposes:

- A more streamlined planning system that is speedier in determination, gives certainty to poultry farmers and is less costly. Planning policy should encourage and be supportive of planning for poultry sheds in the right location and reflect the benefits that new sheds bring to the health of animals, the environment and the local business that is contributing the local economy.
- Appropriate grant aid or capital allowances could also encourage the investment in newer technologies and infrastructure to deliver the benefits described above.

Labour: poultry production relies on labour as many processes such as animal welfare responsibilities will always require human supervision. However, Brexit has put extra strain on sourcing the appropriate labour for the sector. The NFU therefore proposes:

- An immigration system that meets business needs, allowing operators to source the appropriate workforce from a global labour pool. It should be as simple and cost and time efficient as possible for business to navigate.
- Grant aid or capital allowances could also encourage investment in increased automation and robotics. However, this is costly: one example of a £2.8m investment in automation resulted in a business employing 28 fewer people – a 40% reduction in labour. Robots can increase consistency and reliability, but there is a limit to their application.

Improving farm outputs: various technologies – relating to nutrition, breeding and machinery – can be developed and implemented to improve output. For example, research into extending lay in hens is being undertaken both from a genetic and nutrition point of view. This has potential to extend the laying period of hens so that they are healthier during this period and produce higher quality eggs for longer. Decreasing the environmental impact of farm outputs is also in the interests of productivity. For example, ammonia scrubbers can improve air quality on farm and contribute toward emission objectives. However, scrubbers can cost in the region of £100,000. An increase in live weight price to pay for this investment is highly unlikely. Therefore:

- Government support for research is to be welcomed, specifically where it helps outcomes reach the market sooner.
- Grant aid or tax allowances could stimulate investment in items that improve the environmental impact of farm outputs, particularly where regulations drive the investment.

Sugar

Sugar beet is grown by 3500 growers in the UK who are mainly based in the East of England, East Midlands and Yorkshire close to the four factories run by the sole purchaser British Sugar. The supply chain is short and on

average beet is hauled 28 miles for delivery for processing. Sugar beet growers are unique in that their representation is controlled under the CMO regulation and that they are all represented through NFU Sugar which is paid for by a levy on sugar beet tonnage.

The UK sugar industry has increased productivity by 25% over the last 10 years and 50% in the last three decades. Productivity has been increased by a number of measures including seed breeding, seed treatments including priming (done in the UK by Germaines- an ABF company); continuous improvement in agronomy techniques and through the work of the jointly grower and industry funded and governed British Beet Research Organisation (BBRO). This has led the British beet sugar industry to be one of the lowest cost industries in the world.

The BBRO implements and commissions research specifically for the UK sugar beet industry. It shares the results with growers and advisors at meetings, demonstration farms and events and through regular publications. The BBRO identifies, commissions and evaluates research projects and by effective knowledge exchange ensuring best practice to maximise yield return for UK sugar beet growers. This has been a very successful formula, with the UK sugar industry witnessing consistent increases in yield. The use of the BBRO is seen as a mechanism to further increase productivity through:

- Continued use of the BBRO as mechanism to promote best farm practice within the sugar sector and to continue with its R&D research that has delivered tangible yield benefits to farmers.
- Exploring the possibility of the BBRO receiving future government funds to increase R&D and further the take up of knowledge transfer to sugar beet growers and through specific and targeted research projects and to further upskill and educate the country's sugar beet growers through continuing professional development (CPD).
- A successful collaborative relationship for governance between the growers and the processor has been developed that highlights the priorities for the sector in R&D. Potential future actions by government should not hinder this successful governance procedure. The preference is for governance to continue without external political interference.

A key example of the success of BBRO is the £0.5 million annual budget that is spent on plant genetics and breeding which delivers between 1 and 2% yield improvement per year. However, the recent announcement of a ban on neonicotinoids has left the industry vulnerable to virus yellow outbreaks which the industry estimates could impact yield by up to 25%.

Beyond the BBRO, other possibilities for government support include:

- The use of capital grants to improve and maintain drainage. Field drainage is needed to rapidly remove excess soil water to reduce or eliminate waterlogging and return soils to their natural field capacity. Drains can be used to control a water table or to facilitate the removal of excess water held in the upper horizons of the soil. A good drainage system will reduce the risk of detrimental waterlogging to acceptable levels. This could also include the funding to remove deposited sediment from a drain using a high pressure water jet (jet drainage).
- Funding for work to look at how productivity improvements and efficiency savings could be met through improving the collaborative working relationship between grower and processor.
- Money could be used to support co-operative type groups of beet growers, such as the Bury and Cantley Beet Groups that already exist. Support could take the form of grants, tax relief or loans for equipment which is nominally expensive such as drills, harvesters, beet loaders etc. This would also ensure full utilisation of such equipment and prevent idle time and at the same time reduce individual grower risk through the sharing of machinery.
- An insurance scheme to manage income and yield volatility over 3/5 years. Insurance schemes are funded by 40% in the US.

Beyond government intervention, the industry will continue to run the Sugar Industry Programme (SIP). The Programme enables younger growers to learn about the sugar beet sector in its entirety and has provided a number of leaders within the sector, who are key to driving the industry forward.

Tenant farming

Tenant farming delivers the same economic and environmental goods that farming on owner-occupied holdings and on other land tenure types does. Indeed a mixture of land tenure is common and valuable to many farming businesses. However, the NFU believes that it should be recognised that tenant farmers face specific constraints and challenges, which the Defra consultation goes some way to covering.

Throughout this response the NFU has highlighted in each section and where relevant a special account for tenants should be taken. In this section however we deal with the tenant specific issues of tenancy reform and county farms as laid out in the government consultation.

The NFU has undertaken much work in feeding into the government/industry Tenancy Reform Industry Group (TRIG). More detail of the points raised here can be found in our submissions to that group. However, with regard to the proposed review of tenancy law, the NFU would particularly like to see the following introduced and changes made to farm business tenancies (FBTs).

Review should introduce new statutory provisions for new FBTs with an initial term of a minimum of 10 years with no landlord's break clause to allow an FBT to be terminated early except in certain cases. Cases for early termination limited to:

- Non-payment of rent (as an alternative to but not a replacement for forfeiture).
- Breaches by the tenant of the contractual terms or conditions of the agreement (as an alternative to but not a replacement for forfeiture).
- Death of the tenant.
- To allow the landlord to remove land from the holding where planning consent has been granted for non-agricultural use.

This would be a mechanism to allow landlords to let land for a longer term knowing they would be able to get land back in the event that there are breaches by the tenant. This will help to increase productivity due to investment likely to be undertaken by landlord and tenant because of the longer term nature of the agreement. Soil enhancement is also likely due to the longer term and so increasing productivity.

The NFU recognises the importance of retaining the flexibility that FBTs provide to different farming businesses and believes implementing a wide ranging programme of education is essential. The NFU is aware that FBTs are not being used to their full potential which can limit productivity and agreed with TRIG that drafting a heads of terms and detailed guidance would help landlords and tenants to achieve their aims. Further, greater use could be made of other commercial arrangements, shared farming agreement, contract agreements, and other commercial contracts.

With regard to the Agricultural Holdings Act 1986, the NFU would suggest changes, as a number of clauses in this type of tenancy agreement act as a bar to productivity. There should be the ability of landlords and tenants to override clauses in tenancy agreements which operate in this way and prevent productive, full and efficient farming using a test of reasonableness. Some of the examples of this highlighted within the TRIG paper are clauses barring the erection or alteration of buildings, improvements needed to meet statutory obligations and clauses barring the economic activity off the holding. By overcoming these restrictive clauses investment in useful equipment, whether fixed or not, is seen as one of the routes to improving productivity. Further removing a clause barring off-holding economic activity will allow a tenant to increase his financial situation making investment on the holding more likely.

The NFU strongly believes that changes to AHA succession rules are required to be able to increase productivity and commercially sound businesses. The proposal to repeal the Commercial Unit Test and replace the Suitability Test and replace with a Business Competency Test (and both tests to be linked) would produce a better calibre of successors and remove an obstacle to succession for applicants who may tend to be better farmers evidenced by the expansion of their business. The extension of the Close Relative Test for succession to allow grandchildren, nephews and nieces to succeed would provide business continuity within farming families allowing strong family businesses to be maintained.

County farms:

County farms are a necessary means of accessing a career in agriculture where there is no family farm to inherit or little financial resources. They provide new entrants with suitable starter farms and the next step to progression units. They are beneficial in terms of creating employment to the wider rural community and so boosting the rural economy. From a timescale perspective, county farms should be dealt with as a matter of urgency since a number of county councils appear to be conducting significant reviews of their rural assets with a view to possible disposal. This is possibly due to cuts in central government funding. Therefore the most important point would be the requirement for local authorities to prepare a 15 year minimum Strategic Plan based on Rural Estate Plans that will be called in for government scrutiny in the event of a proposed county farm disposal. The aim of this would be overcome the short-termism and lack of consistency of some local authorities and would give a solid plan for on-holding investment.

Another TRIG proposal is to widen the scope of Section 39 of the Agriculture Act 1970 which defines the purpose of county smallholdings. The amendment encompasses the wider rural economy. This would be more in keeping with the role that county farms add to the rural economy and allow them to be valued on a 'best value' basis rather than assessing them purely on the capital return they provide. This also helps rural communities to be sustainable and multi-generational as well as providing employment opportunities to young people.

To encourage investment on county farms, infrastructure grants should be made available to local authorities in the same way as they are to private and other landlords. This would help overcome the issue of holdings which have become dilapidated and less productive due to lack of money. To ensure that county farm estates are managed well to get the most benefit from them, measures should be introduced to make it a requirement that Rural Estate Plans follow the ACES guidance. There is currently only very limited uptake on following this guidance. Amendment of Schedule 3 Case A of the Agricultural Holdings Act 1986 should be made in order to allow notice to quit to be served on a tenant who has reached state pensionable age rather than the current age of 65. This allows for better management towards retirement.



Agricultural technology and research

The NFU believes scientific research; development of innovative tools, technologies and practices; and knowledge exchange are all critical to solving the productivity and resource-efficiency challenges that British farmers face. Agricultural research has demonstrable value and more public investment is required to make the most of this. It is vital that research areas are farmer and market led and that outcomes are well-disseminated, understood, and make an impact on farm. Therefore research must be closely linked to training and knowledge exchange. This can in part be achieved through fostering better links between farmers, researchers, advisers and technicians in what is a complex agricultural research landscape.

The NFU would like to also comment that continued and stable investment is critical to maintaining a strong agricultural science base, and enabling the critical mass needed to develop commercial solutions in meaningful timescales. Despite very welcome injections of public investment in recent years, the legacy of decades of underinvestment in applied agricultural research remains (as highlighted in the NFU campaign [Why Science Matters for Farming](#) (annex 4)) and is linked to continued stagnation in agricultural productivity.

This section summarises a wealth of NFU work in this area and brings it to the relevant area of each of the consultation questions.

Priority areas for agricultural research and technology

It is crucial that the UK remains a centre of excellence for agricultural research where innovations can be used and applied. All of the options listed in the consultation document have very important and impactful roles in boosting productivity, resource efficiency and environmental delivery of British agriculture and horticulture. Their relative importance varies according to the sector, type of business, landscape and farming system. The previous response section on *Farming excellence and profitability* reflects this. More widely, in February 2017, the NFU published '[Feeding the Future, Four Years On](#)' (annex 5). This report sets out the innovation and research priorities for farmers and growers over coming decades, as articulated by NFU members:

- **Digital, data-driven and engineering technologies:** including the use of automation and robotics to reduce the reliance on manual labour; combination and analysis large data sets to produce robust decision-making tools; addressing barriers to precision management in all sectors; applying digital and engineering solutions to livestock management and housing. "Data driven and smart precision agriculture" as stated in the consultation document should therefore be considered by Defra as enablers for faster progress and step-change in all areas of research and innovation.
- **Crop and livestock genetics and breeding technologies:** including commercialisation of new breeding techniques such as gene-editing; focus genetic improvement on key production challenges; address reducing pesticide availability and antimicrobial resistance; accelerate more integrated and sustainable management of threats.
- **Interactions between air, soil, water and crop/animal processes within farming systems:** including climate change mitigation and adaptation; understand, test and manage spatial variation in soil health; manage air and water quality in housed systems; agronomic link to nutritional status of crops; manage farm wastes.
- **Integrated management of crop weeds, pests and diseases:** including a strong evidence base for future a chemical regulatory system; development of biopesticides; durable control strategies, addressing resistance.
- **Integrated management of animal disease and welfare:** including tackling antimicrobial resistance; effective biosecurity; early warning systems and pen-side diagnostics; robust measurement of welfare; focus on intractable endemic problems.

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- Management and valuation of ecosystem service provision from farming systems: including locally adaptable decision support tools; accurate baseline measurement and robust indicators of performance; quantify provision of public goods; innovative use and valuation of waste products.
- Skills, training and KE: including greater understanding of barrier to uptake of innovation; training in management skills; tools to measure environmental indicators; greater collaboration within and between science and industry sectors; extend existing use of knowledge, innovative practices and technologies; incentivise research community to value knowledge exchange.
- Social and economic science: including deeper understanding of impact of market drivers and policy interventions; methods to measure value of research to individual businesses; understand constraints on uptake of innovations; learn from what works in other countries; quantify the value of farming on human health and wellbeing.

The report builds on and updates the [Feeding the Future](#) report (annex 6) commissioned by NFU, AIC, AHDB, NFUS and RASE and published in 2013. This first report was part of the evidence base for the government's 2013 Agritech Strategy. The Agritech Strategy was a strong vote of confidence from government in the farming sector, but also pointed to the UK's weakness in turning excellent science into commercial practice and economic growth. The Industrial Strategy now gives Defra and the industry a great opportunity to position agriculture as an innovative sector, capable of producing significant return on investment, and ready to join with other sectors to exploit enablers such as robotics, automation, digital and data-driven technologies.

The NFU's 'Feeding the Future, Four Years On' innovation priorities review was used to write the successful [Industrial Strategy Challenge Fund](#) bid 'Transforming Food Production' announced at NFU Conference in February 2018. This gives the opportunity for much improved delivery mechanisms to ensure engagement and benefit for a far greater number of farm businesses. It must lead to greater collaboration and coordination between existing research organisations, including the four Agritech Centres. The NFU is closely engaged with UKRI, BBSRC and Innovate UK in the scoping of this bid as its delivery plan is developed. The NFU is also driving forward activity under the Food and Drink Sector Council, notably the agricultural productivity working group, and will be inputting in to the other working groups as they emerge. We are helping to form task and finish groups to explore proposals for transformative technologies and enabling mechanisms through which industry, academia and government could work together to unlock the productivity potential in the agrifood sector.

Putting farmers at the centre of agricultural research and development

The consultation document lists numerous options for ensuring R&D delivers what farmers need, all of which the NFU believes are important. Their effectiveness and suitability for different individuals and sectors will however vary. It is vital that Defra policy, investment and legislation for agriculture post-Brexit all align very closely with other strategies, initiatives, sector deals and departmental priorities across government. In particular, the NFU would like to see a more effective working relationship between BEIS and Defra and with UKRI. This should be a genuine and positive collaboration with joint responsibility taken for positioning agriculture within the Industrial Strategy. This must include a plan for funding streams and delivery mechanisms, to complement, consolidate and give the R&D community longer term stability. All such investment in British farming must work together to both improve the R&D, KE and commercialisation pipework and drive productivity growth and resource efficiency. Effective cross-government working would also have the benefit of making it easier for industry to engage in what is currently a highly complex and often impenetrable agricultural research landscape. The NFU is concerned that creating new research funding pots within Defra would increase complexity and might even displace money from other funders.

The NFU believes that despite investment by government in agricultural and food research there are still insufficient incentives for academics to prioritise effective knowledge exchange and engagement of the end user. This limits the returns on government investment as it will reduce the likelihood that scientific research will lead to demonstrable improvements in agricultural performance, either economically or in provision of public goods. The NFU is strongly of the opinion that any government investment mechanisms created as by Defra from redirected direct support must be channelled into farm businesses. They should not fund research providers directly. However, new initiatives must be overtly linked with existing funding mechanisms such as those under UKRI, and very definitely those created through the Industrial Strategy and its Challenge Funds, using the same terminology and overall goals. The NFU is aware that discussions have already been held between BBSRC and Defra along these lines and strongly urge government to develop this into concrete delivery plans.

The NFU would like to work with Defra to understand how it intends to encourage widespread adoption and particularly how it will work more effectively with other government departments and with its various agencies and NDPBs such as AHDB. We see AHDB in particular as requiring a much clearer mandate for its role as a knowledge exchange hub, as well as the ability to be more agile and flexible as the political, economic and social context shifts. The AHDB has a critical role to play as the hub for driving better coordination and wider delivery of knowledge exchange between farmers, advisors, technical experts and scientists. It should organise its resources to achieve this role, in the context of the Agritech Strategy, Industrial Strategy and emerging domestic agriculture policy. Recent AHDB strategy work that should be used by Defra to inform its thinking includes the January 2018 Horizon paper 'Driving productivity growth together'; a study commissioned to analyse constraints on productivity; and a mapping of the AKIS (agricultural knowledge and innovation systems) landscape in the UK.

The main barriers to adopting new technology and practice on farm

The barriers to adoption of new tools, practices and technologies are complex and are part of the wider productivity challenge discussed in the January 2018 AHDB Horizon paper. From the perspective of environmental performance, the NFU has observed a recent trend of NGOs establishing networks of engaged farmers and using them as examples of good practice to present to government as the model for delivering on-farm innovation. These include the Soil Association (Innovative Farmers), RSPB (Nature Friendly Farming Network), Rivers Trust (Catchment Based Approach) and, to an extent, LEAF. While these are positive steps, we are concerned these networks only engage with a particular easy-to-reach subset of farm businesses, can be looked on with suspicion by the rest, and do not penetrate the bulk of commercial farming activity. Industry-led initiatives such as Campaign for the Farmed Environment can provide a more accessible model for encouraging good practice environmental management alongside a productive business. Again, AHDB has a very important role in coordinating the knowledge exchange landscape for environmental, as well as food production, delivery. AHDB must be empowered to step up its work with farming organisations, biodiversity organisations and government to ensure more farmers are engaged in knowledge exchange, bottom-up R&D priorities and design, and on-farm environmental and productivity measures.

The NFU supports the concept of farmer-led research as a mechanism for engaging farmers with the research community and ensuring research funding and innovative ideas are solving real farming problems. The NFU backs research funding being directed at innovative projects that bring farmers and researchers together to investigate solutions to farming problems, either through changes in farming practices or the adoption of new technology. The European Innovation Partnership (EIP) initiative under the existing RDPE provides a good starting point for farmer / researcher collaboration in a future scheme.

Farmer-led research can boost R&D impact by connecting farmers and researchers to bridge the gap between research and practice. In many cases, a solution identified in one part of the country for one sector or type of farm is not transferable, as different geographies and farming systems lead to different problems needing different solutions. Dispersed farmer-led research and farmer-to-farmer learning increases the opportunity for commercially relevant solutions. Farmers are constantly innovating, but this is often without dedicated or sufficient funding, happens in isolation and without involvement of researchers. This all reduces the robustness and limits the scale of change. Investment in farmer-led research offers the opportunity to connect existing innovation, to test and de-risk new ideas and to share knowledge.

Case study – knowledge exchange among bee farmers

For two years a small group of bee farmers have met as a Knowledge Exchange Group, supported by a paid independent facilitator funded by the Waterloo Foundation. The group discussed openly the detailed performance of their operations. This pilot scheme to share and benchmark performance resulted in almost all participants improving production and profitability. The lessons learned were then shared with the wider industry. Following this success, the Bee Farmers Association hopes to create similar groups across the country.

The NFU however sees limited merit in government talking positively about research, technology and translation into commercial practice for a more competitive sector unless the wider post-Brexit regulatory system is fit for purpose and enabling. Its goal must be to encourage private sector R&D investment in UK through enabling tax policies, and to base all decisions and policies on sound scientific evidence. This includes areas such as crop and animal biotechnology, crop protection, animal welfare, rural connectivity and data infrastructure. As further detailed in the changing regulatory culture section of this response, the NFU believes regulation could be improved to encourage more investment in agricultural R&D. Specifically, there are elements of the Innovation Principle, which could be useful in this regard.

Labour and the workforce

The NFU is disappointed that this section of the consultation paper does not deal with the fundamental labour issues currently facing a number of farming sectors. The entire food supply chain employs significant numbers of EU nationals who add value on farm and beyond. However, Brexit has exacerbated well-documented difficulties in recruiting these people and there are clear steps government could take to ease pressure on recruitment. Immigration policies can be carefully managed and controlled as well as being balanced with businesses need. The NFU believes there are a number of adjustments to policy that could be made to meet both of these aims to ensure that farm business can recruit the permanent and seasonal staff they need to remain profitable.

For horticulture, in 2017 labour providers responding to the NFU's monthly Labour Provider Survey reported an average shortage of 13% across the season, peaking at 29% in September as workers return home in greater numbers. However, it is not just a seasonal worker issue. In fact, some sectors have a much higher dependency on permanent workers from the EU, including the pig and poultry meat sectors, as well as the egg and dairy sectors. For instance, a survey by the Royal Association of British Dairy Farmers in 2016 showed that 56% of dairy farms employed labour from outside the UK during the previous 5 years.

Ready access to a workforce that responds to the quality needs of the industry and is sufficient in number across a wide variety of skill and qualification levels is vital to the success of the agricultural industry in the UK. As the consultation paper highlights, there are a multitude of skills priorities for the farming sector, which government and industry can work together to tackle.

The NFU's paper "[Access to a competent and flexible workforce](#)" (annex 7) lays out the numerous policy and industry initiatives that the NFU believes are required to achieve this aim. This section brings the key points of that policy to bear and applies specific wider evidence to the questions of the consultation.

A professional workforce is vital to improving business performance and productivity. To ensure a stronger culture of knowledge and skills requires the integration and implementation of training and professional recognition into every business. As the agricultural industry becomes increasingly technologically driven and more reliant on its ability to understand and implement the latest science, farming businesses will face requirements for new skills and employers will need to have the right mix of skills amongst their workforce.

Government support in building the resilience of the agricultural sector to meet labour demand

The agriculture and horticultural sectors rely on large numbers of overseas workers, primarily from the EU, who have been able to come to the UK and take up work – both seasonal and permanent – under the principle of free movement of labour within the Single Market. With Brexit that movement will be curtailed, but it is critical that farming's ability to produce a safe and affordable supply of food is not similarly reduced.

Since the referendum result, the industry has collected a wealth of data that highlights number of EU nationals carrying out both permanent and seasonal roles across all agricultural sectors. Numbers involved, reasons for EU nationals being employed and the potential business consequences of falling short of recruitment needs are outlined in detail in the documents containing the NFU responses the EFRA committee's call for evidence on the constraints of recruiting labour in the agricultural sector (annex 8) and the Migration Advisory Committee's call for evidence on the role of EEA nationals in the workforce (annex 9).

Securing sufficient labour is a multi-faceted issue, and the NFU recognise that the current challenges farmers and growers face in meeting their labour needs will not simply be overcome by continuing to source workers from abroad. Both increasing the supply from the domestic workforce, as well as driving new innovation and mechanisation techniques, can help agriculture to grow now and after Brexit. It is essential however that government fully acknowledge the level of investment required in automation, the economics of this, the limits of technology and the timeframes of its introduction. Therefore, regarding this business investment, future agricultural policy, along with wider planning, taxation and investment policy, should support the industry as it moves towards alternatives to human labour where this is the appropriate business decision. The *farming*

excellence and profitability section of this response once again provides some guidance as the areas where such investment may be realised.

Nevertheless there are good reasons why access to a competent and reliable source of labour outside of the UK will continue to form a very important part of the workforce in the short, medium and long-term. The NFU believes that a future immigration system that recognises and meets the specific requirements of the agricultural and wider food industries will be critical if farming is to continue to deliver the irreplaceable services it provides to the British public. However we recognise this will need to be based on extensive and robust data into the composition of the agricultural workforce and monitoring of labour supply and demand. Government could support industry here by compiling data and commissioning surveys to better understand the nature of the agricultural workforce. Indeed [the 2017 EFRA report *Feeding the nation: labour constraint*](#) highlighted that *“It is apparent that the statistics used by the government are unable to provide a proper indication of agriculture’s labour needs. These statistics must be reviewed by the end of 2017 to give the sector confidence in the adequacy of the official data on which employment and immigration policies will be based after the UK leaves the EU”*. This has yet to be fully addressed and is an area where government could work in closer collaboration with industry.

It is clear from the data the NFU has collected through surveys and case studies, from both labour providers and member businesses that the labour availability for both seasonal and permanent positions across the industry is becoming tighter and predicted to worsen. We would be happy to share reports from our monthly Labour Provider Survey and End of Season Labour survey which is sent to our horticulture members annually. For horticulture in particular, the key messages from 2017 were:

- Labour providers reported an average shortage of 13% across the season, peaking at 29% in September as workers return home in greater numbers
- Likewise, the NFU End of Season Labour Survey of horticulture members shows nearly 60% of respondents did not secure the number of seasonal workers they needed in 2017
- Impacts of the 2017 shortage ranged from non-harvesting of crops, increased recruitment costs, higher wages and overtime and delayed investment decisions.
- 87% of growers expect recruitment of seasonal workers to be more difficult in 2018

As a result of these concerns farmers and growers need an urgent solution from government that allows access to a competent and reliable workforce in the short term. Government could support industry in the short term by:

- Taking action on future immigration arrangements to mitigate a continued fall in the number of EU nationals taking up seasonal roles.
- Establishing a seasonal scheme (possibly under a Tier 5 arrangement) to enable recruitment of non-EU seasonal labour is one way of addressing this issue, and the previous SAWS scheme is an example of such a scheme that worked well in the past.
- Any future scheme must be managed by licensed operators (employers and labour providers) and ensure a robust system of entry and exit checks.

We need to see government proceed with an immigration policy that is based on fact and business need; a policy that gives the UK the enhanced control of its borders, without compromising the economy. Any policy must recognise the importance and seasonality of workers across all skill levels to our food production system, especially in a time of record low levels of UK unemployment. We need to see:

- An urgent solution to the farming sector’s labour needs is urgently needed to avoid losing a critical mass of workers. We want a clear and unambiguous commitment from government that farmers and growers will have access to sufficient numbers of permanent and seasonal workers from outside of the UK where necessary.
- Government set out its preferred approach to a new immigration system, which caters for both permanent and seasonal workers in agriculture, as soon as possible. This should involve extensive consultation with industries particularly reliant on overseas labour, such as agriculture and horticulture.
- The Immigration Bill should recognise the crucial importance of migration for certain sectors of the UK economy, both low and high skilled, and be based on a realistic expectation of the ability and availability of UK workers to fill the jobs currently carried out by EU workers.
- A suite of visa and/ or work permit schemes that offer employers flexible, low cost solutions for recruiting overseas workers into agriculture, whether for permanent or seasonal jobs, with minimum burdens to process applications.

Underlying barriers and knowledge gaps to improving skills training

The NFU's 2017 confidence survey found that more farmers were increasing investment in skills and training than those that weren't. This was true across all agricultural sectors. Nevertheless, data from UKCES skills survey 2015 shows that agricultural businesses are least likely to provide training to their employees, with only 50% of agricultural businesses providing training compared to a national average of 66%. Despite a willingness to invest, there are still improvements to be made and barriers to be overcome.

The fragmented nature of the industry, alongside the overload of skills programmes and training initiatives, creates a complicated skills system that can be hard to navigate. There are also challenges around the range of qualifications, complexity and variability of funding streams, inappropriate delivery mechanisms, and a lack of understanding as to where to source skills development. The UKCES report (2015) indicates that businesses in the sector would increase training and skills development but a lack of knowledge of available training, training not delivered at a time or location that meets business need and perceived costs are barriers to uptake. To help tackle these issues the NFU is a founding member of the industry wide AgriSkills forum which aims to address skills challenges within the sector and ensure that skills development and training uptake is seen as a high priority and important investment.

The NFU is concerned with the lack of current data and evidence on the skills priorities and gaps within the sector. In the past skills assessment research has been undertaken by Lantra and UKCES. However the last full and detailed skills assessment of the sector was in 2012, through Lantra with UKCES issuing a skills survey across the economy in 2015. We strongly feel that there needs to be one authoritative organisation to complete this research in the sector in order to provide a robust and comprehensive evidence base on current and future skills needs.

Priority skills gaps across UK agriculture

Despite a weak evidence base, on the basis of discussions with NFU members we believe that the priorities for our sector are improving skills relating to succession planning, risk management, business planning and management. This is based on past submissions by the AgriSkills forum to Defra on priorities for RDPE programmes.

The NFU sees business management and leadership skills as a priority and crucial to taking agricultural businesses forward to help improve business performance and achieve a more professional and efficient workforce. Without an increased focus on strong business and leadership skills the potential uptake of more general and technical skills training, innovation and development of staff across the sector will never be fully realised. Indeed, Defra's Farm Business Survey 2013 shows that producers or growers that have business and leadership skills and implement business plans are more likely to display higher business performance than those that have yet to address these skills gaps. The Lantra Skills assessment also identified that business and leadership skills will be needed in the future and this is supported by views expressed in the [2013 Future of Farming review](#) in helping to achieve a thriving agriculture and horticulture sector.

As well as these cross-cutting areas, the NFU believes it is important to recognise that technical skills are vital to farm businesses and arguably more so as new technology is applied and farms choose to diversify. The particular training of focus will vary depending on which sector the farm operates in and what best serves its business needs. The sector-specific priorities for productivity and profitability improvements detailed in the farm excellence and profitability section of this response do however provides guidance as to the key areas of interest.

Making agriculture an attractive career choice

The NFU recognises there is a need to change the perception held by some farmers that skills development is simply a compliance cost, but rather should be recognised as an investment in professional development that is central to improving business performance, competitiveness and sustainability. Continued emphasis on lifelong learning and professional development will also help attract new entrants to the industry and help change the current perception of the industry which is wrongly portrayed by some as low paid, low skilled with unsociable hours, and poor employment prospects. The existing CPD schemes within the industry has enabled workers to participate in relevant, demand led training, recognising their experience and building on practical skills. This approach needs to be extended across the industry but on a voluntary rather than mandatory basis to encourage take up.

Following the dissolution of Bright Crop there is no longer a co-ordinated industry careers initiative to help inform school pupils, their parents, and careers advisers about the range of careers and progression opportunities available across the industry. However, raising awareness of agriculture as an exciting and attractive career path from a young age, throughout school and into higher education will help people understand the opportunities available to them in farming and land-based industries.

Without Bright Crop, there may be a need for a new industry wide careers strategy to help provide a consistent approach to promoting and championing the industry as a professional and progressive career choice. Any future initiative must advocate the sector as a profession offering STEM careers, and be linked to existing sector initiatives. Industry engagement with schools, and careers advisers in a managed and coordinated way, will be essential so that any potential new entrant can be advised as to the range of careers and opportunities within the sector more accurately.

In 2017 the NFU employed an Education Manager. The manager develops and promotes materials for schools, chiefly Primary schools that can be easily used by teachers to help children build a basic knowledge of food and farming. The NFU is currently advertising for a second person to support the Education Manager. There are also other stakeholders within the land-based sector that have a remit to champion the sector as a professional and progressive career. A central body needs to lead on this strategy with stakeholders across the industry collaborating to create industry career frameworks and promotional tools.

The NFU continues to work hard to change the perception of the sector to help attract new entrants and ensure the industry is seen as a modern, highly skilled and exciting career choice. As outlined above the NFU is a founding member of the industry-wide AgriSkills forum which seeks to professionalise the industry through skills development and lifelong learning. This helps create an attractive environment for a progressive career and for agriculture to be seen as a sector of choice.

The NFU is also supportive in principle of the development of 'AgriSkills Progress', an initiative formed from recommendations within the AgriSkills strategy to develop a professional framework for the industry. This aim of the initiative is an open access online skills and people management toolkit for individuals and employers within the industry. This concept will use existing schemes and best practice to help promote and map out career pathways and opportunities within the sector alongside recording and signposting of appropriate learning and skills provision and CPD opportunities. The NFU is also involved in the development of new apprenticeship standards through the Apprenticeship Trailblazer process. We have worked with other organisations and employers across the sector to develop new standards in crops, livestock and poultry sectors. These standards will be an important route into the sector for people looking to make a career out of farming. The NFU is also keen to work with the Department for Education, the Institute for Apprenticeships, and industry stakeholders to develop further apprenticeship standards where there is demand, and to ensure the T Levels developed for the Agriculture, Animal Care and Environment route are part of the technical education offer in England.

Public money for public goods

The NFU acknowledges the government's stated aim that in the future public funds should be used to fund the delivery of public goods and this is welcomed as part of the development of a future policy to support farming. However, while this approach may provide the building blocks for a social or environmental policy, its sole use as a foundation for underpinning agricultural policy raises serious questions. The NFU is strong in its conviction that maintaining a robust and resilient domestic food production sector is in the nation's interest and therefore future agricultural policy must support farmers in their role as producers. Farmers and growers are proud to produce the foods that sit at the heart of every healthy, balanced diet, and the NFU welcomes commitment to creating closer links between food production, health and education. Putting food production at the heart of future policy would truly capitalise on this.

OECD data demonstrates that the vast majority of countries in the world see some form of public financial support for a thriving domestic agriculture base. For agriculture to survive on just support for the public goods it provides ignores fundamental wider flaws and market failures in the functioning of the food system which will need addressing simultaneously. For example, in its 2017 report on Developments in Agricultural Support Policies⁷, the OECD states that "Risk management tools are important in a world expected to become more volatile and subject to additional shocks, due to climate change, market related and other uncertainties." Despite this, the challenge of managing volatility is largely lacking in the current consultation in terms of policy solutions and tools being proposed by government.

The NFU believes that more effective policy could be designed if there were clear aims of what it is seeking to achieve – this is a feature of other countries' food policies. We would therefore welcome discussion of targets linked to areas such as growth of the sector, food production or profitability for example. These would sit firmly alongside government targets in other areas of policy such as the environment or climate, which farming can also make a valuable contribution towards.

The NFU believes first and foremost that none of the public goods Defra lists would be deliverable without the thousands of farm businesses that manage over 70% of the country's land area. At the core of their existence is the production of good quality, traceable and affordable food, along with the production of flowers and a variety of other valuable plants. The NFU believes that farming is and will continue to be the primary way to deliver the public goods that Defra sets out.

In order to continue delivering on the many public goods that farming provides for Britain, farm businesses must be productive, profitable and resilient to volatility. The NFU believes that these underpinning principles have to be at the forefront of any future government agricultural policy. As such the NFU has proposed an agricultural policy as being comprised of three key elements – it should (1) enhance the productivity and competitiveness of farm businesses, (2) recognise and reward the environmental goods that farmers deliver, and (3) mitigate volatility where it impacts their commercial viability.

Our three cornerstones all work together to enable farming to be competitive, profitable and progressive - a sustainable partner within a dynamic UK food supply chain that produces food, energy, flowers and plants. Collectively the three cornerstones are worth more than the sum of their parts. To remove one would critically undermine the effectiveness of the other two. For instance, farms that are best able to manage volatility and poor market returns are much more capable of delivering the environmental goods the public enjoys. Similarly, productivity improvements can be achieved through better, more targeted use of inputs such as fuel, fertiliser and plant protection products. Indeed, these sorts of win-wins have been a feature of UK farming in recent decades, with farmers improving resource efficiency and producing more with less - compared to the 1980's, 31% less nitrogen fertiliser and 55% less phosphate fertiliser was applied in 2016, and the total weight of pesticides applied in the UK has decreased since 1990 and was 48% lower in 2015 compared to 1990.

Countries both in and outside of the EU are reflecting on the future of their agricultural sector looking at opportunities, challenges and strategic plans for the mid-term. Strategies in Australia, France, Ireland, Denmark,

⁷ Agricultural Policy Monitoring and Evaluation 2017, Developments in agricultural policy and support DOI:http://dx.doi.org/10.1787/agr_pol-2017-4-en



Spain and Germany are well developed. They all feature government participation and involvement, in fact in most cases it is a government initiative. A briefing produced in May 2014, provides more detail on all of these strategies (annex 10). We believe that despite some policies having evolved in these countries, highlighting these examples would help inform the debate around the importance of having a holistic vision regarding a strategy for the nation's food production.

At a more practical level, there is a crucial need for further detail on implementation. For example, under most AHA tenancies and some FBTs, tenants will have to seek their landlords' permission in providing certain public goods. A tenant therefore could be limited to the amount of public goods that they are able to provide in the instance a landlord is unwilling to give consent. We have not explored all practical issues here, but under each public good policy it will be essential to consider such real-world factors.

Food production and its place in a public goods policy

The government's consultation focuses on establishing a future agricultural policy on the foundation of delivering public goods. The NFU believes that maintaining a robust and resilient domestic food production sector is in the nation's interest and therefore future agricultural policy must support farmers in their role as food producers. Here we lay out the wide array of benefits delivered through a strong and profitable primary production sector in the UK.

A sufficient degree of self-sufficiency

At a global level food security is achieved by a combination of adequate levels of supply and a properly functioning international trade system. Self-sufficiency reflects the ability of a country to meet its own food needs and is a key contributor to a nation's food security. Overall, governments must ensure a mix of domestic production and trade which will vary according to the characteristics of each individual country.

The UK has been a major food importer since the 19th century. Before the First World War its self-sufficiency was around 30% for a population of 31million. By 1984 the ratio had increased to over 80% for a population of over 50 million. This has now slipped to 62% partly as a result of an increase in population to over 60 million, but also because of a decline in the relative competitiveness of UK food production. According to the UK Global Food Security (GFS) programme, around 160 countries make up a significant portion (about 12%) of our food imports. This means that the UK diet is inherently global and integrated into the world economy⁸. This global nature of the agri-food sector may support food objectives for consumers such as potential for all year round supply of seasonal foods and greater variety and choice of products. But such global sourcing brings its own risks and can be unpredictable, fuelling greater volatility at the farm gate.

The threat to UK food security could be more serious should increasing global demand combine with other potential problems such as climatic shocks, pests and diseases. For example, global population size is set to increase from nearly seven billion today to eight billion by 2030; the UK population alone is projected to increase to over 74 million by 2039⁹. The 2011 Foresight report on the Future of Food and Farming¹⁰, stated that there will be huge challenges to the food system between now and 2050 – notably water scarcity and the impacts of climate change. The global population will become older and more urbanised; both of which will impact on food consumption patterns and agriculture¹¹. The GFS synthesis report of 2015 Extreme Weather and Resilience of the Global Food System¹². The report states that:

"In 2007/8, a small weather-related production shock, coupled with historically low stock-to-use levels, led to rapid food price inflation, as measured by the FAO Food Price Index and associated with the main internationally traded grains. This increase was compounded by some countries imposing barriers to local

⁸ <https://www.foodsecurity.ac.uk/challenge/your-food-is-global/>

⁹ Office for National Statistics July 2017 release:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/july2017>

¹⁰ Foresight. The Future of Food and Farming: Challenges and choices for global sustainability 2011:

<https://www.gov.uk/government/publications/future-of-food-and-farming>

¹¹ FAO, The future of food and agriculture: Trends and challenges (2017)

<http://www.fao.org/publications/fofa/en/?amp%3Bamp>

¹² Extreme weather and resilience of the global food system (2015). Final Project Report from the UK-US Taskforce on Extreme Weather and Global Food System Resilience, The Global Food Security programme, UK.

export, to ensure their own food security, leading to an FAO price spike of over 100%. A similar price spike occurred in 2010/11, partly influenced by weather in Eastern Europe and Russia.”

Moreover, in its key recommendations it states that “Governments should also consider policies to bolster national resilience to international market shocks”.

While self-sufficiency per se should not be an end in itself, it does capture a sense of how competitive UK farming is. There will always be a proportion of food that simply cannot be grown in the UK due to natural restraints. The disappointment for UK farmers is where they see production fall or stand still in those products where they could compete and where they have a natural advantage. Therefore, it is important to stress that greater self-sufficiency does not mean limiting or reducing export and imports; it means capitalising on what we’re already good at and improving our ability to contribute sustainably to the global food larder. Crucial to this, is the continued need to invest in both management and technological advances which support the achievement of these high production standards, as outlined elsewhere in our consultation response. We also know that in making this investment the UK demonstrates leadership and are able to export this knowledge and innovative solutions on a global scale.

In summary, the NFU does not advocate that the UK should be fully self-sufficient. However, we strongly believe that government should have higher regard for domestic food production’s contribution towards the country’s food security. It is a matter of strategic national interest to ensure that our country can feed itself, and a high level of domestic production in a volatile world is a critical aspect of food security.

A safe and traceable supply of domestic food

Short supply chains and more direct oversight of food safety processes allow greater control of, and trust in, the food we deliver to consumers, meeting a clearly expressed desire for British food by the British public. In recent surveys conducted for the NFU, 66% of respondents said they always or often look for British produce when shopping for food and 64% said they trust British food more than food from the rest of the world.¹³ Given these views it is essential that British food is not viewed as a niche product only for wealthier consumers. Rather we believe that the ambition should be to have British food available at every price point.

The NFU would also highlight that recent EU audits of meat production systems in other parts of the world have led to imports from certain plants being halted. Against the difficulties in oversight in global supply chains, and the public’s trust in British food, we believe that future policy should support UK food production to underpin this choice.

Support for jobs, investment and growth

British farmers and growers are an important part of rural economies, providing jobs and driving growth both in food production and in diversified industries such as renewable energy and tourism. UK agriculture is also the bedrock of a domestic food industry that employs over 3.8m people and, as the UK’s largest manufacturing sector, generates £112bn in value for the UK economy. If the raw material base were to shrink it would be inevitable that some of the manufacturing sector would relocate - particularly if future trade with the EU is not frictionless.

High standards of welfare and environmental goods

Viable farm businesses mean farmers are able to deliver the sort of environmental outcomes envisaged by the consultation paper. Businesses that are struggling financially are unlikely to be best placed to devote the time and resource to these important elements of our future policy. With agriculture occupying over 70% of the UK landmass, viable farm businesses play an irreplaceable role in looking after our cherished natural landscapes. However, a reduction in domestic production would also mean greater reliance on imports from other parts of the world, which could undermine the environmental objectives achieved through production here. Imports from elsewhere, where we have no control over production standards, in effect exports the environmental footprint associated with them. This will likely increase, this environmental footprint and impact on animal welfare if lower standard products are brought in. This is arguably not an environmentally or socially responsible choice.

For example, in a paper published by the Royal Society in 2016, it was reported that the UK is currently importing over 50% of its food and feed, but this actually equates to offshoring 70% and 64% of the associated cropland

¹³ OnePoll online survey of 2000 adults in England & Wales between 25th May and 2nd June 2017



and GHGE impacts, respectively. They state that “*These results imply that the UK is increasingly reliant on external resources and that the environmental impact of its food supply is increasingly displaced overseas.*”¹⁴ The key point here is that investment in resource efficient and resilient domestic food production plays an important role in limiting this external footprint. In making this investment we demonstrate leadership and are able to export this knowledge and innovative solutions on a global scale.

The NFU believes that UK food production is currently delivering on all of these areas and clearly more can be achieved if properly supported. However, we must not lose sight of the short and medium term. If food production in this country is undermined now, then our ability to deliver these many and varied public goods, will be damaged in the long term.

¹⁴ Global cropland and greenhouse gas impacts of UK food supply are increasingly located overseas. Henri de Ruiter, Jennie I. Macdiarmid, Robin B. Matthews, Thomas Kastner, Pete Smith. Published 6 January 2016. DOI: 10.1098/rsif.2015.1001 <http://rsif.royalsocietypublishing.org/content/13/114/20151001>



Enhancing our environment

The NFU has always been clear that post-Brexit, we need a policy framework that build on the environmental benefits which efficient and well-run farm businesses will naturally provide in their day to day operations. The NFU believes that future environmental policy should consist of a mix of incentive schemes, including a farmed environment scheme, complemented by new market approaches where they can be shown to work, such as Payments for Ecosystem Services, and industry-led action to improve environmental delivery. It should also reflect that environmental regulations come with costs. Regardless of delivery mechanism, greater recognition must be given to the value of environmental maintenance in future schemes alongside enhancement, and recognition that early adopters should not be disadvantaged for all of their past efforts to invest in the natural environment.

Future policy should also recognise that environmental challenges are broad and varied, encompassing areas such as flood management, air quality, health and wellbeing as well as landscape benefits, cultural heritage, climate change mitigation and adaptation, soil management, water resources and biodiversity. We believe that all farmland in the UK can contribute to many of these objectives in different ways and this should be reflected in a truly broad and universal environment scheme.

It is crucial that government recognises that much can be achieved toward each of these environmental objectives through investments in improving farming's productivity. More resource-efficient and profitable production in the UK clearly contributes to the country's, and indeed the world's, environmental objectives. However, this will only be possible if schemes are deliverable, fully inclusive and provide the right level of financial incentive, which needs to go beyond current calculations in environmental programmes that are based on a narrow interpretation of the income forgone and additional costs rules set out at the World Trade Organisation.

Detail on each of these themes is given below and further important detail is available in the NFU's Vision Paper "[Delivering for the farmed environment](#)" (annex 11).

The consultation paper and its attached evidence pack rightly highlight the positive environmental benefits delivered by farming and policy to date. The NFU would also like to highlight that over the past 30-40 years, farmers have carried out a huge amount of work to encourage wildlife, the landscape, benefit soil and water and reduce farming's impact on the climate. During this time, there has been substantial engagement by farmers within formal agri-environment agreements, voluntary environment schemes and projects such as the Campaign for the Farmed Environment and EU-Life. At its highest level, 70% of agricultural land was in agri-environmental stewardship.¹⁵ Under agri-environment schemes in England, more than 30,000 km of hedgerows have been planted or restored, providing habitat and shelter for a range of wildlife, created around 37,000 km grass margins, and 2,600 km of stone walls actively managed as part the scheme.¹⁶

Farmers are improving resource efficiency producing more with less - compared to the 1980's, 31% less nitrogen fertiliser and 55% less phosphate fertiliser is being applied in 2016.¹⁷ New uses of resources, such as those in renewable energy production, have seen farmers invest with the support of policy, with farmers and growers owning or hosting around 60% of UK solar power.¹⁸

Industry-led actions, with farmers working in partnership with regulators and environmental groups, have proven to deliver environmental improvements. In England, the Campaign for the Farmed Environment (CFE)

¹⁵ Defra. Observatory monitoring framework indicator data sheet. 2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545292/agindicator-a3-11aug16.pdf

¹⁶ Defra. Briefing pack, RDPE Schemes Launch. 2015.

<https://www.cioslep.com/assets/file/RDPE%20Launch%20Briefing%20pack%20updated%20version%2029.03.15.pdf>

¹⁷ Defra. The British Survey of Fertiliser Practice 2015. 2016 <https://www.gov.uk/government/statistics/british-survey-of-fertiliser-practice-2015>

¹⁸ 10. NFU. Own calculations from Farmer Confidence Survey and BEIS figures on solar photovoltaics deployment. <https://www.nfuonline.com/assets/69296>

The voice of British farming

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encourages farmers to protect soil and water whilst improving biodiversity, water and soil, alongside productive agriculture. In 2014/15 there were 269,000 hectares managed voluntarily under the CFE.¹⁹

We disagree with the rhetoric set out in the consultation paper that the environment has deteriorated over the period that CAP has been in place. Farming has shaped our landscapes, creating varied fabrics across the uplands and lowlands and brings value to local and rural economies through recreation and tourism. Continued management of our landscapes by farmers through grazing, cropping and cultivations and management of boundaries, such as hedges and stonewalls, has implications for how the countryside can be enjoyed, but also how wildlife, water and soils can carry on being protected. The role of upland regions is underlined by the fact that 70% of the UK's drinking water is sourced from them²⁰, with 53% designated as SSSI.²¹

Principles to support the farmed environment

Brexit offers the chance for innovative thinking for on-farm environmental management and we believe the following principles are central to supporting the farmed environment in a post-Brexit future and should therefore underpin Defra's proposed Environmental Land Management (ELM) schemes:

- All farms, no matter their output, production system, location or length of land tenure should be able to participate in voluntary environmental measures.
- Food production and environmental measures should not be considered as mutually exclusive. Profitable farm businesses are required for successful delivery of environmental outcomes.
- Environment policy should seek to deliver outcomes that are positive both for on-farm productivity and for the environment, for example investments that place less pressure on our natural resources.
- Policy should seek to deliver against a wide range of environmental priorities. Farming has a vital role in protecting and delivering further improvements in landscape character, soil management, water quality, wildlife and air quality, as well as in mitigating climate change.
- Farming has shaped our landscapes, creating varied fabrics across the uplands and lowlands and bringing value to local and rural economies, through recreation and tourism.
- The unique environmental value of specific areas such as the uplands, commons and SSSI's should be recognised. Support measures should be tailored to the needs of farmers in these areas and farmers rewarded for the valuable work they do in sustaining these special places.
- A supportive policy environment, in terms of trading policy, planning rules, national infrastructure and financial incentives will help the industry build upon farming's successful environmental delivery.

Therefore the NFU believes that there is merit in supporting each of the outcomes listed by the consultation. Each farm and area of the country will be able deliver in different ways toward all of the areas listed and given the wish to have a national scheme with local priorities, choosing specific areas of focus has potential to miss best-exploiting environmental gains in some areas.

As a fundamental principle, it is essential to also recognise that climate change will have a significant impact on what is achievable. Delivering outcomes based on terms such as "better state" and "preservation" or setting aims such as "increase in biodiversity" or "reduce flood risk" are especially difficult unless there is a clearer recognition of a moving baseline and that things in the future will be different because the climate is changing. For example, an increase in biodiversity should not necessarily be expected to mean more numbers of the same species or more species which the habitat might be expected to support currently, rather the species and numbers might be completely different in the future. None of this provides reasons for inaction however; and rather it should be fully understood so that the right and realistically achievable action is undertaken.

The government's consultation paper makes reference to supporting projects which 'prevent' flood risk. It is essential that the government and public recognise that no scheme will ever prevent flooding. Natural flood management, or nature-based solutions, are important tools in alleviating flood risk but these measures are not a panacea and can never replace more traditional forms of flood defence. Farmers are increasingly at the mercy of extreme weather events and there must be greater recognition of the national importance of increasing the

¹⁹ Defra. *Campaign for the Farmed Environment - Survey of land managed voluntarily in the 2014/15 farming year (England)*. 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/439452/landenvmanagement-statsnotice-30jun15.pdf

²⁰ M. Reed et al. *The Future of the Uplands*. Land Use Policy, vol. 265, pp. 204-216. 2009.

²¹ Natural England. *Uplands Strategic Standard*. 2013.



resilience of agricultural land to future flood events and periods of dry weather. Benefits include increased food security and the delivery of more public goods if farm businesses are more resilient to future extreme weather events.

Using natural capital principles

The consultation paper states that the new environmental land management system will be underpinned by natural capital principles, aiming to deliver benefits such as improved air, water and soil quality; increased biodiversity; climate change mitigation and adaptation; and cultural benefits that improve our mental and physical well-being, while protecting our historic environment. This presents an opportunity for farmers to demonstrate the important role they are able to play in safeguarding the natural environment and could help to present a clearer view of the impact of industry on the environment. A simple, but transparent, approach needs to be taken in the application of the natural capital principles and we would welcome further discussions with government on the development and possible application of a natural capital system.

Delivering “fair reward” for environmental actions

Getting the best value for money also means an appropriate incentive for farmers committing to actions and timely payments to provide a stable income stream. This is clearly a careful balance, but payments should adequately take account of the risk of participation.

The consultation paper uses the term “fair reward” to describe the level of payment that participants in environment schemes may see in the future. The NFU cautiously welcomes this term as it indicates a move beyond the current calculation formula, based on income forgone and cost incurred, for environmental schemes, which we believe is an inadequate reward. However, clearly much more detail is needed to define this and the NFU is very keen to engage in these discussions. It is also essential that new policies and payment levels are designed to operate within the bounds of WTO rules on agricultural policies. However, the NFU is of the view that the WTO Agreement on Agriculture provides a number of possibilities to design environmental schemes that offer an adequate and attractive level of payment, while remaining compliant. It should also be possible to explore interpretations of terms such as income forgone that go beyond the EU’s interpretation, with a view to expanding the level of payment this justifies. The NFU has policy analysis available on this and is willing to bring its knowledge to this area with Defra.

A new land management scheme – making it work in practice

Defra’s proposed Environmental Land Management scheme reflects varying degrees of NFU thinking and there is clearly opportunity to build a successful scheme. However, the NFU would like to reiterate that achieving environmental objectives should not be seen as narrowly achievable through the ELM scheme. Investments in productivity and ensuring the underlying economic viability of farms should be given equal emphasis as they are just as crucial to achieving environmental objectives. Moreover, any scheme must work in practice and be straightforward for farms to participate in.

As agri-environment schemes have played an important role in supporting farmers to maintain, protect and enhance the environment in a productive farmed landscape over the past 30 years, we agree with the consultation paper that a new land management scheme should be at the heart of any new environmental policy and the aspiration to have a user friendly design. Rolling start dates and regular payments need to be a feature of the new scheme.

Farmers have a vital role in delivering a wide range of environmental benefits. Therefore the new farmed environment scheme should take a holistic approach to environmental objectives across the landscape. All farmland should be eligible to participate. It should crucially support maintenance of the environment as well as environmental improvements. It is more cost effective to maintain existing habitat than re-create or create new habitat. Maintaining our landscape will be more important to protect the environment and landscape features given the potential significant restructuring of the farming sector that may follow Brexit.

The Defra approach of having broad and universally available options is welcome, as is coupling this with more targeted tiers and capital items eligible for investment. This largely reflects the NFU’s suggested model of a two-tiered system with capital grants. A first tier should be available across the country and for all farm types and sizes. It could be an annual scheme, which in the NFU’s view would be a key driver in ensuring wide participation. Options in this tier should be straightforward to comply with, delivering for landscape, biodiversity and the wider

environment. A second tier should seek to achieve more ambitious environmental outcomes, with necessary conditions to ensure the more complex management required to support priority habitats and habitat creation. It can be tailored to local needs, with bespoke support to develop the best agreement. Both tiers should consist of land management options and capital items.

Applicants should be able to develop an agreement most suited to their local environment using both tiers. Agreements could last for differing durations and as well as being part of ongoing management agreements, capital grants should be available outside of an annual or multi-annual scheme.

Schemes need to be relevant to different areas of the UK and various landscapes. They also need to be relevant to different farming systems. In principle however no farming system should be discriminated against in a new scheme and all recognised for various environmental objectives they can contribute to as part of their food production systems. For example there needs to be full compatibility between specific organic and non-organic prescriptions, ensuring that organic farmers are treated fairly and have the same opportunities as conventional farmers in accessing ongoing environmental support measures. The NFU believes that organic conversion payments should be available to address the market failure to grant a full marketing premium during the conversion period.

Enhancing the environment need not run contrary to improving farm productivity. The farmed environment scheme should aim to support more efficient use of farm inputs and improve resource efficiency, whilst maintaining or improving yields.

The NFU has formulated some initial ideas on the types of actions that could be supported in a future land management scheme and is working on an extensive suite of actions. However, for example, there is scope to do more to support soil health, through supporting cover crops that can act as a green manure, or stimulating the use of biofertiliser (AD digestate), subject to best practice in spreading to minimise ammonia emissions; supporting good farming practices such as integrated pest management helping to protect water; and acknowledging that long term grass leys capture carbon. More examples, and the length of time they could be committed to, are detailed in the table.

| Length of agreement in years | Potential land management actions |
|------------------------------|---|
| 1 | Fallow land Cover and catch crops Overwintered stubble Field margins and buffer strips to slow water flow and retain soil erosion Hedge and wall maintenance and repair Ditch management Nutrient management Skylark plots Minimum tillage arable |
| 5 | Pollen and nectar mix Winter bird feeding mix Low input grasslands Legume mix Protection of in field trees including ancient trees Historic environment |
| 10 | Moorland management Management of protected habitats e.g. SSSIs Habitat creation and management Scrub management Arable reversion Management of semi natural and species rich grasslands Creation and management of wet grassland |
| 20 | Woodland management Habitat creation |

Capital grants should be available in both tiers and available outside of a multi-annual farmed environment scheme, with much shorter agreements. Many of these also help achieve productivity improvements. For example:

| | | | |
|--|-------------------------------|--------------------------------------|---|
| Hedge planting and stone wall restoration | Gateway relocation | Ditch restoration | Concrete yard renewal |
| Tree planting | Minimum tillage drills | Leaky woody dams | Management of invasive alien species |
| Slurry management equipment | Grip blocking | Livestock handling facilities | Sprayer load and wash down areas |

There should be a national delivery framework to ensure consistency and enable delivery of national priorities. There needs to be an approach that captures local environmental priorities and recognises local farm practices. This will allow timings of environmental activities to be tailored to local farming conditions such as hay cutting dates. Local community groups could support delivery through providing intelligence on local priorities and helping record environmental achievement, for example in specific landscapes or areas such the Norfolk Broads, national parks or other designated sites.

Furthermore, on delivery, the consultation paper promotes collaborative projects encouraging land managers to work together to secure environmental improvements at landscape or catchment level. Such a scheme would need to compliment and add value to the environmental land management scheme. Farmers would need to be at the heart of the scheme, driving it forward.

To achieve a high level of uptake of the new environmental land management system and therefore successful delivery of environmental objectives, the farming perspective needs to be at the heart of all environmental schemes, from design to implementation. Schemes should be cost-effective in order to attain the best value from farmers' efforts and public funds. Intelligent design based on realistic farm conditions is central to this, but equally important is making available the adequate resources to successfully implement the measures. This means clear guidance, trusted advice provided throughout the agreement by the delivery body and appropriate resources to process agreements. Good scheme design will help reduce administration and delivery costs.

A transparent approach, where all parties are clear of their commitments and expectations, will lend itself to smoother operation, building trust between the parties and improved farmer buy-in. Guidance should therefore be straightforward and make clear why the actions to be undertaken are right ones to achieve the environmental objectives.

There should be clear accountability for how public money is spent, with appropriate records kept on farm to demonstrate compliance. This should be proportionate and carefully balanced with the time and effort required. Monitoring of agreement holders should consider the impact of non-compliance on the desired environmental objective, and record keeping requirements should play a supporting role. Onerous record keeping requirements discourages participation, as has been demonstrated by the current scheme.

Scheme measures need to be responsive to farm practice, how this can change over time and for different systems. Design should allow the flexibility for parts of farms to be entered into environmental management, rather than a binary choice of including the entire holding or not participating. Scheme design should allow farmers to best decide the measures that fit their farm the best that contribute to the overarching objectives of the programme and implement these.

There should be a built-in flexibility for payments to account for different land tenure practices, including common land arrangements. During a long term agreement it must be possible to allow changes in land tenure, without compromising environmental delivery. In future it would seem appropriate that payments for environmental work go to the person undertaking the practical work.

Agreement start dates should fit with farming practices, providing flexibility to fit with the farming calendar through monthly start dates. This will help farmers and administrators deliver agreements in a timely fashion.

There must be adequate resources available for a successful delivery combined with fair terms and conditions where each party carries a proportionate level of risk. The contracts should spell out government's offer to agreement holders setting clear timescales for delivery and payment schedules. Agreement holders should have the ability to hold government to account for failures in delivery. Equally, there should be punitive arrangements in place to address systematic delivery failures picking up the role currently carried out by the EU Commission and EU Audit.

The consultation paper touches on innovative mechanisms. In the long term, we believe that new market approaches may increasingly complement government environment schemes for farmers and in some cases provide a higher reward for meeting environmental objectives. Approaches such as Conservation Covenants, Biodiversity Off-Setting, Payments for Ecosystem Services and Carbon Credits are just a few examples of new markets that have recently emerged and with further encouragement could continue to develop in future. These new approaches can also tap into the leveraging effect whereby a proportion of public funding encourages greater levels of private sector engagement, unlocking more investment. This could provide farmers with a new stream of largely stable income that can be used to reinvest in their businesses, to improve productivity and to manage wider market volatility.

The consultation asks what the potential role for outcome based payments could be. The NFU's view is that such an approach should be piloted first, indeed as it currently is. However, there are a number of practical issues which may make adoption of alternative approaches problematic, such as the influence of weather on results or the length of time it may take to establish an outcome, and what these may mean for payments to the farmer. For these approaches to work the knowledge has to be available from advisers and the delivery body to support farmers with the practical requirements that will lead to the desired environmental outcome.

Developing a diverse approach to environmental delivery

While our vision for a new agricultural policy will see farmers rewarded and incentivised to deliver valuable environmental goods, this will be complemented by a range of initiatives and approaches outside the domestic agricultural policy. For instance, voluntary, industry-led initiatives such as the Campaign for the Farmed Environment, the Voluntary Initiative, the Greenhouse Gas Action Plan and Tried & Tested encourage farmers to be more resource efficient, protect soil, water and improve biodiversity. These have brought together industry, environmental groups and the farm advisory community to develop agreed environmental messaging for farmers. They demonstrate the industry's commitment to improving the farmed environment, but could also play a key role in providing basic advice to farmers on a new land management scheme.

Furthermore, there are a number of examples where the supply chain offers reward to farmers for the valuable work they do to improve and enhance our environment, alongside producing food. For example, some retailers work with farmers to carbon footprint farms and a leading manufacturer has recently introduced a new payment system to reward dairy farmers in their supply chain who undertake good environmental practices. The challenge is to ensure that these environmental commitments by farmers continue to be fairly recognised and rewarded and that consumers are aware of the good work being undertaken.

About two-fifths of farmers (39% weighted average) are now involved in some way in the renewable energy market, including bioenergy (biomass, biofuels, biogas), wind power and solar photovoltaics (PV).²² This provides low carbon energy and contributes to climate change adaptation and mitigation efforts, sometimes together, e.g. the growing of perennial energy crops like miscanthus and willow. Another example is the improved management of farm woodlands for both woodfuel and increased carbon storage. Government policy has incentivised these approaches and helped overcome high upfront costs. Although incentives are being reduced, uptake has increased as the technology has developed and become more affordable. Yet continuing to develop a supportive policy environment, in terms of planning rules, national infrastructure and financial incentives is still required to help farming deliver for the environment and climate with clean energy.

New approaches to environmental delivery provide farmers with a new stream of largely stable income that can be used to reinvest in their business, to improve productivity and to manage wider market volatility.

²² NFU. Farmer Confidence Survey 2017.

Science, development and innovation

Science, research and innovation are part of the solution to boosting productivity, growth and competitiveness, but also increasing resource efficiency and reducing our environmental impact. The NFU report [Feeding the Future: Four Years On](#) provides examples of funding priorities that would lessen farming's impact on the environment and contribute in terms of broader public benefit. Priorities include:

- Undertake research that will enable UK agriculture to mitigate and adapt to the predicted impacts of climate change including improved predictions and management responses to extreme weather events.
- Quantify the contribution that farming practices make to the value of tourism, rural landscapes, human health and well-being and other aspects of the UK rural economy.
- Provide the ability to map and understand the factors that contribute to soil health to better target fertiliser application to achieve both environmental and productivity gains.
- Deliver technology to sample and manage air and water quality in housed livestock production systems including early detection of diseases.

Reliable, robust and relevant data is key to helping farmers meet the global challenge of producing more while impacting less. We need to know where we are starting from and how well we are progressing towards meeting our objectives, and if subsequent policy changes are needed. This is particularly relevant to the consultation's aim of delivering public goods. For example, there is no consistent protocol of how soil health is measured. If farmers are to be rewarded or incentivised for soil health there must be a tried, tested and pragmatic process in place. The same is also applicable for air, water and biodiversity.

Surveys have been used extensively by the industry to assess the environmental performance of the agriculture sector in areas such as nutrient and manure management planning and detecting the scale and quality of changes that occur in the UK's countryside and natural resources over time. Government should continue to invest in regular surveys, such as the Farm Practices Survey and re-establish the Countryside Survey, to collect open, transparent and available countryside and environmental data. There is still a real need for the industry to have access to up-to-date data on a wide range of relevant environmental conditions to target investment, aid business planning and guide policy.



Public access

The NFU views the creation of new public access, including permissive routes and educational access, to be a public good which farmers may apply for, in specific circumstances, where it can work alongside modern farm practices. We recognise the health and recreational benefits targeted public access creation could provide, as well as providing greater understanding of farming and the countryside; however it must be acknowledge that the British countryside is a working environment and there are many locations where it would be inappropriate and unsafe to create new public access. Therefore future public access options should never be a universal requirement, and we believe there are considerations outlined below which should be addressed when creating any future public access option.

Any option to create new public access must remain voluntary and it should be possible for applicants to remove or divert any permissive access installed. Flexibility in when routes are open to the public is particularly pertinent at particular times in the farming calendar, including lambing. It should be recognised that England is already one of the most accessible countries in the world with over 200,000km of rights of way and many schemes already exist to expand this network. This includes the English Coastal footpath which on completion will be the longest route of its kind in the world, and many routes are being reinstated when historical evidence is discovered showing that the route previously existed.

The NFU recognises the wide range of significant health and wellbeing benefits delivered to society by the British countryside which is fundamentally shaped and actively managed by generations of farming businesses. Results from the MENE (Monitor of Engagement with the Natural Environment) survey provides data on how people use the natural environment in England²³. In their seventh survey they reported that between the 2009/10 and 2015/16 survey period there was a significant increase in the proportion of the population who claimed to visit the natural environment once a week. Health and exercise continued to be one of the most frequently cited motivations for visiting the outdoors, with visits specifically to the countryside accounting for a significant proportion (43%) of those visits with 1.35 billion visits a year. It is farming that delivers the huge diversity of unique landscapes which are symbolic of rural Britain and give so much pleasure to those both living in and visiting these places.

There is also strong evidence to support the positive role access to the outdoors has on learning, for example as reported in the Natural Connections Demonstration Project²⁴. 'Educational Access' was developed as an option in agri- environment schemes and has been widely adopted by farmers over the past 25 years. Opening up new permissive access may not suit every business, but well-designed voluntary permissive access working in partnership with the practical needs of modern farm businesses can deliver mutual benefits. As such the NFU believes that there are opportunities for such permissive access schemes to be re-established which directly link the public to environmental sites, including woodlands, which are created or managed through future Environment Land Management Schemes (ELMs). Farmers should be supported through additional payments for providing access provisions to these new or pre-existing environmental sites.

However, under current legislation, landowners inviting the public onto their land through a permissive access scheme owe a higher duty of care to the users of the path than is the case where the public uses a public right of way. Changes to legislation should occur which would mean that the same level of duty of care exists whether the public is using a permissive route or a public right of way. This was successfully achieved with the coastal path scheme and should be replicated elsewhere.

It should also be recognised that Highways Authorities are required to maintain public rights of way under s.41 of the Highways Act. Therefore we are strongly opposed to right of way maintenance being publically funded through future agricultural policy options. We recognise the importance of ensuring farmers continue to reinstate footpaths after ploughing and remove footpath obstructions, as specified with GAEC 7b.

²³ Monitor of Engagement with the Natural Environment: 2015 to 2016: <https://www.gov.uk/government/statistics/monitor-of-engagement-with-the-natural-environment-2015-to-2016>

²⁴ Natural Connections Demonstration Project, 2012-2016: Final Report. <https://naturallengland.blog.gov.uk/2017/11/15/educating-children-farming-and-nature/>

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Access can sometimes be in conflict with the provision of other environmental benefits, such as disturbance of ground nesting birds at certain times of the year. Rights of way can also act as a catalyst for rural crime: for example 163,000 fly-tipping incidents were recorded by public authorities on public footpaths and bridleways in 2016/17, making it the 2nd most common land-use where fly-tipping occurs.²⁵ Rural crime including fly-tipping, trespass, fly-grazing and hare-coursing can have an acute impact both upon farm businesses and recreational users of the routes. Hence, the potential perverse impacts of any new access on farm must be properly considered and consulted alongside the land manager and where necessary flexibility and mitigation measures should be made available. For example, it is essential that any future public access options are available to all, which includes financially supporting farmers with capital works such as installing gates, fencing, stiles and other footpath furniture which can act to reduce incidents of rural crime as well as temporary closures at sensitive time of year.

The NFU has long-supported Open Farm Sunday as an industry initiative. Over 1000 farms have been involved with the initiative and it has acted as a catalyst for members of the public with little exposure to farming and the countryside to learn more about the farming industry and the environment. We believe that Open Farm Sunday should remain as an industry initiative, but welcome discussions on ways to increase awareness of this scheme and others to the general public.

²⁵ Defra, October 2017. Fly-tipping statistics for England, 2016/17.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/652958/Flytipping_201617_statistical_release_FINAL.pdf

Fulfilling our responsibility to animals

The NFU and its membership are proud of the high standards of animal welfare that are currently upheld by farmers in the UK. Any additional aspirations for animal health and welfare must be based on science and evidence that they will actually benefit the farmed animals and the businesses charged with managing them. Underpinning any policy framework on scientific principles will enable us to take advantage of new innovations in terms of animal production, including genetics and breed advantage, diagnostics and vaccines, nutrition and husbandry technologies.

The NFU strongly disputes the government's much stated assumptions that more extensive systems in their own right provide higher welfare protection. This view is not supported by science and evidence. Instead, there should be a focus on equity of production regulations (both legal and voluntary) to protect the public good of animal welfare and a principle of continuous improvement in all systems adopted.

Farming is a commercial enterprise and innovation and improvements to systems should go hand in hand with a farmers' ability to compete in the market place and be rewarded for 'above and beyond' production standards. The collaborative approach proposed in the consultation document in the form of an Animal Health Pathway therefore has potential to make good progress in improving animal health efforts if designed and implemented properly. Animal health improvements lead to improvements in animal welfare, producing a win-win scenario.

Government schemes to incentivise and deliver animal welfare

Animal welfare standards on UK farms are already at a very high level and whilst we cannot afford to rest long on our laurels, the NFU believes it would be better use of government resource to focus on supporting initiatives to develop our animal health infrastructure needs first. For example the Livestock Information Programme (LIP) with all of its potential for better data and traceability, the NFU's proposed livestock productivity scheme, endemic disease eradication schemes (BVD, SCAB, etc.) and the creation of an Animal Health England type body to provide structure, leadership and co-ordination so that we can be more competitive in the global market.

The NFU recently commissioned a [report](#) from the Evidence Group (annex 12) which compared the UK's farm animal welfare standing on a global basis across six livestock sectors. We shared the findings of the report with the Defra Animal Welfare and Trade teams earlier this year. This report summarised what we already suspected; that on a global context, the UK's regulations as set, and to which British livestock farmers operate, are amongst the best in terms of animal welfare standards. The UK has one of the most robust and comprehensive legal frameworks protecting animal welfare, extremely mature and well-developed industry bodies that recognise the importance of animal welfare, and a significant number of credible quality assurance and welfare schemes and/or initiatives. In contrast to the UK and the other EU Member States, developing economies and some developed economies often lack some or all of these components, but what many do have are infrastructures which will allow swift, positive reaction to market opportunities such as access to the UK food chain.

The comparison of UK welfare standards with other European nations is unsurprisingly nuanced, given that a reasonably comprehensive set of legislative requirements are demanded of EU members. In broad terms the UK, alongside some of the Nordic countries, goes noticeably beyond baseline legislation in a number of areas across multiple sectors. In addition, European costs of production are generally high by world standards, and for most production species the UK represents one of the EU nations with a higher cost of production base.

The report also considered animal welfare as a marketable commodity. It concluded that in general, most consumers have a poor understanding of farming and production systems. While there is clear variation as to what constitutes good welfare, the priorities are considered to be humane treatment and 'naturalness', and increasingly consumers are aware of the context of welfare beyond the farm (i.e. in transport and during slaughter). Consumers understand that there are both physical and psychological aspects to animal welfare (e.g. including the fulfilment of normal behaviours), and acknowledge relationships between health and welfare in animals and potential cost and benefits to themselves (e.g. relating to eating quality, risk of antimicrobial resistance development) even if they fail to understand or establish if those costs and benefits are real or assumed.

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'Naturalness' appears to be a central tenant to consumer attitudes regarding welfare, with more natural (e.g. extensive) systems perceived to offer better physical and psychological health. 'Naturalness' appears to be defined around space allowance and freedom to express normal behaviour, access to the outdoors and "unadulterated feed". While many acknowledge the benefits of modern production systems (e.g. improved hygiene), these systems are generally seen as unnatural and their use of techniques to manage or reduce disease risk are not appreciated (i.e. naturalness is prioritised). On farm conditions relating to cleanliness/hygiene, access to sufficient space and good quality food and water are seen as key issues of farming husbandry, with other significant concerns relating to the use of routine procedures (especially mutilations) and issues relating to transport and slaughter. The net effect is that consumers and policy makers arrive at a default position that extensive production systems offer better animal welfare, and that any intensification – especially that which limits space or prevents outdoor access – is undesirable.

The NFU strongly disputes the government's much stated assumptions that more extensive systems in their own right provide higher welfare protection. This view is not supported by science and evidence. Instead, there should be a focus on equity of production regulations (both legal and voluntary) to protect the public good of animal welfare and a principle of continuous improvement in all systems adopted.

The report also explored the wealth of consumer research. When people are acting as citizens, they largely consider animal welfare as important and something they wish to see promoted (either from anthropocentric or zoocentric standpoints). However, when acting as consumers or purchasers of livestock products, animal welfare is likely to represent only one of several (usually lower priority) considerations at the point of purchase. Many consumers dissociate the product with the animal from which it originated, put their trust in the brand or proprietor that welfare is 'looked after', or by convincing themselves that they cannot directly influence welfare. Those consumers who actively seek welfare friendly products often perceive low availability and difficulty in locating higher welfare products (searching for British bacon at most UK retailers proves this point well), and their real or perceived higher price is seen as a barrier for purchase in significant quantities. Despite this, there are surprisingly mixed opinions about labelling, with some people considering labels as "too much information" and questioning their credibility and reliability; others, however, regard them as the preferred method of identification over welfare status.

Farmers supplying premium ranges are normally paid a price supplement to reflect higher production costs. This value is ultimately recovered from the sale of goods to the consumer but often through a limited range of products that can command a premium price. The cost of segregation through processing can also outweigh recoverable premium from the market. These two factors can mean costs to the consumer can appear disproportionately higher to the premium paid at farm gate. This complexity in the value chain and the potential for unintended consequences for artificially supporting premium-style ranges needs careful consideration.

From this information, it can be argued that in protecting UK consumers (and producers) from lower-welfare, imported livestock products, there is a need to emphasise and promote legislative equivalence as a condition of trade. As welfare is acknowledged as a public good, but an issue which consumers do not want to navigate at the point of purchase, ensuring approximate equivalence of welfare standards to domestic production is a necessary part of the government providing and protecting this public good. Approximate equivalence still allows for consumer choice either through selection of country of origin (e.g. as a shortcut to specific welfare standards), or through quality/welfare assurance schemes with associated labelling and/or supply stewardship. This could potentially walk the line between maintaining a functional and competitive market and managing market externalities.

Government standards to ensure greater consistency and understanding of welfare improvements at the point of purchase

The NFU commissioned report would suggest that consumers, on the whole, do not necessarily want to navigate complex animal welfare decisions at the point of purchase and that they have mixed views on the benefits or otherwise of welfare information through labelling. Government intervention may be more beneficial in supporting the current assurance schemes' standards and the UK's relative position in the world.

Actions that impact on improving animal health on farms

Each individual sector has its own specific priorities and the list provided by Defra in the consultation all have equal weighting. Going forward, the government should adopt a 'one health' type approach (as per the human /

animal interface models so frequently referred to in modern policy discussions). The [One Health Global Network](#) defines One Health as,

'One Health [...] involves applying a coordinated, collaborative, multidisciplinary and cross-sectoral approach to address potential or existing risks that originate at the animal-human-ecosystems interface.'

Regardless of which of the many definitions of One Health is used, the common theme is collaboration across sectors. Collaborating across sectors that have a direct or indirect impact on health involves thinking and working across silos and optimizing resources and efforts while respecting the autonomy of the various sectors. To improve the effectiveness of the One Health approach, there is a need to establish a better sectoral balance among existing groups and networks....'

Bearing this definition in mind, it is difficult to highlight any individual aspect which would demand more attention than any other. The Animal Health Pathway concept, properly funded and driven through a renewed ambition for an 'Animal Health England' collaborative body working under a shared vision with accurate and real time data at its heart, could deliver a future proofed and resilient farmed livestock sector more efficiently than piecemeal funding for individual 'priority actions'.

Government's role in supporting industry to develop an ambitious plan to tackle endemic diseases and drive up animal health standards

The NFU is largely in agreement with the aspirations of government in relation to animal health. Many of the proposals we have set out to improve farm productivity earlier in this response demonstrate that tackling endemic disease across species is important. In particular the NFU's proposed Livestock Productivity Scheme as set out in the farming excellence and profitability section of this response highlights a number of investments that we believe would be valuable in this regard. But we must also consider the reputational impacts of failing animal health as well as the emotional challenge experienced by some farmers.

Whilst we recognise that Animal Health Ireland is a useful case study, we would also suggest that Animal Health Australia, which is a wider collaborative body in terms of scope, funding and stakeholder engagement, could also provide some useful experiences and lessons for the UK. A middle-house solution is probably required which takes the best from both countries' formal approaches. It is crucial for government and industry to come to the table with a spirit of openness and transparency.

The more extensive sectors (beef and sheep), which do not work to particularly integrated levels in their supply chains quite simply do not have the infrastructure at the moment to create effective voluntary, self-funded schemes for endemic disease eradication (BVD is a case in point). Government intervention is required in these cases. We would envisage that the recently announced Livestock Information Programme (to be effective in 2019) would play a central role in this Pathway / Body, providing much needed real-time data on movements and identification of our stock. The benefits of this will be apparent in controlling endemic and exotic disease, as well as incentivising and enabling risk based decisions on stock purchasing and selling.

Supporting rural communities and remote farming

The NFU is convinced of the value of thriving agriculture businesses to resilient rural economies and communities. We wish to emphasise the importance of government developing a cohesive policy framework to support productive, thriving farming businesses, which would go a long way in helping to support rural communities and businesses post Brexit across all “rural” parts of the UK.

It is encouraging that Defra reflects the specific challenges of farming in the uplands, remote areas and designated sites. However the NFU would like to underline that farming is at the heart of all activity in many rural areas, not just those in the uplands. Without a viable farming industry there would not be the people, food production or the beautiful landscapes on which the uplands and many nationally recognised sites are based. Government’s proposed “clear vision” for upland areas needs to reflect this and ensure that farming and food production are successful there. Furthermore the government should recognise that constraints to farming exist beyond just upland areas, for example national parks, AONBs and SSSIs and other traditional farming landscapes.

It’s clear that the broader community benefits arising from farming are becoming more important especially as rural services have been substantially reduced. Farm diversification also increases rural resilience. It is essential that the planning system recognises the importance of farms being able to evolve and create new business and community facilities, as well as to support wider business opportunities such as on farm tourism. Farm shops for example have replaced the village shop and can offer community meeting places, as well as destination venues for tourists.

It is essential to see the living countryside as a place kept vibrant by the people who live and work there. This is a principle that should apply whether in the Green Belt or remote National Parks. Rural communities can face challenges that need rural focused solutions to make them more resilient. The rural population is located within a more dispersed geography; whilst the average age of a person living within a dispersed rural location is seven years older than their most urban counterparts. The average farmer age remains constant at 59. More needs to be done to ensure that these older rural communities can access the whole range of services they need. Young people and families also need to be attracted back to rural areas, to pursue farming and other rural careers, but they need access to Wi-Fi, skills training and to be able to find a home.

- **Health and wellbeing:** It is essential that the health and wellbeing of farming communities is considered to ensure farmers under pressure can access help that it is both relevant and discrete. When designing and implementing a new agricultural policy government should be aware of the upheaval and magnitude of change this could cause for farm businesses and the individuals involved with them. While difficulties will be unavoidable in some cases, this policy should nevertheless take account of this and seek to avoid negative effects on mental wellbeing. [The NFU North East](#) office has been working with a number of organisations to ensure wider health care professionals can understand how this can be best addressed.
- **Increasing rural resilience:** Brexit offers an opportunity to look again at the way the government supports rural communities and to increase rural resilience. The success of the UK Shared Prosperity fund, for example, will depend on whether the money can reach the wider countryside where farms and rural businesses are located. Government policy has to work to increase rural business productivity, but also to ensure rural issues such as crime, poverty, overcrowding and access to finance, health care and skills development do not remain unaddressed.
- **Rural Crime:** Rural crime and antisocial behaviour remains a key challenge to rural resilience, impacting both on business costs and health and welfare. Rural crime is very different from urban crime. It often severely impacts on the operation of farm businesses, disrupts farmers’ livelihoods and increases vulnerability in rural communities. The NFU has welcomed the government consultation on waste crime and fly tipping launched with the 25 year Environment Plan and hopes that firm action will be taken on an issue that costs farmers thousands of pounds and pollutes the farmed environment. NFU’s [Combating Rural Crime](#) report (annex 13) has called for a consistent and co-ordinated approach across all involved parties to tackle rural crime, including the government and the police. This is essential as rural theft, for example, cost [£44.5m in 2017](#) according to survey evidence by NFU Mutual, a year-on year increase of 13.4%.

- **Rural policy solutions:** Rural proofing has been established at the national government level but is not being practised effectively, according to the House of Lords Select Committee on the Natural Environment and Rural Communities Act 2006 highlighted it a report published in [March 2018](#). This is a view echoed by the NFU. There is no rural deal in the Industrial Strategy. Rural proofing is sometimes non-existent in Local Enterprise Partnership priorities or urban focused spatial development strategies. Local authority funding priorities are not focused at supporting more remote rural infrastructure provision.
- **Ensuring a level playing field for rural areas:** It is essential that government develops policy and support to ensure there is a 'level playing field' in service provision for rural areas. To this end it should establish good practice for local government to follow. This is a particular priority for broadband and mobile coverage. 64% of the 866 members who responded to the NFU broadband and mobile survey in summer 2017 said their key message to government was the 'need to provide the same service/infrastructure for rural communities as urban ones'.
- **The digital economy:** The NFU has called on the government to make the 'digital economy universal' so that every farming business can access superfast broadband at speeds they can afford and use mobile technology across the farm. More information about the NFU's ground breaking work on digital connectivity can be found in annexes 14 and 15.

The NFU evidence underlines the fact that there remains market failure to deliver efficient, affordable and reliable digital services across the majority of farm businesses. In summer 2017, only 9% of farmers surveyed by the NFU could confirm that they had access to superfast broadband services (defined as 24Mbps or more). Only 15% of farmers had complete outdoor mobile coverage across the farm. Such lack of quality services contrasts with the possibilities offered by the opportunities outlined in this document's section on agricultural technology. High quality broadband and mobile connectivity for farming have been highlighted in the NFU broadband and mobile work and the development of rural focused [5G test pilots](#) that could develop technologies that could revolutionise how farm and rural businesses and communities receive their services. A recent report by [Rural England and Scotland's Rural College](#) suggested greater digital adoption in rural areas could add £12 to 26bn a year to the UK economy.

Successful diversification requires access to superfast broadband and mobile phone connection. Farmers report that without such services they can struggle to run their own diversified businesses efficiently and to attract businesses to rent their cottages or business units. For tourism uses this means less efficient websites, whilst no mobile coverage means fewer return visits.

At the NFU Conference in February 2018, the Business Secretary Greg Clark made a welcome commitment that superfast broadband was a legal right for all. The importance of digital connectivity for farm productivity was also reinforced by the Defra Secretary Michael Gove, who also compared mobile connectivity in Kenya with that of the UK. The benefits to rural business are also highlighted in the Command Paper. Yet this has not manifested into future proofed policy, instead the lead Department for Digital, Culture, Media and Sport, announcement in March 2018 that it intended to introduce a broadband Universal Service Obligation in 2020 of 10Mbps download speed. Rather than being a safety net, this is the standard the many farmers with sub 2mbps speed farmers will be offered rather than one this is fit for purpose. Set at less than a quarter of the reported average UK download speed in 2017 (45Mbps), it won't even be available to all and it will offer the most remote farmers and rural communities nothing better than access to a satellite dish with a service of less than 10Mbps. Such an approach contrasts not only with Defra and BEIS commitments but also with the rest of Europe which has committed to superfast speeds for all premises by 2020 and ultrafast speeds by 2025. In 2017 Ireland and Scotland committed to bring fibre broadband (which could deliver 100mbps ultrafast speeds). This gives their rural communities a far fairer access to services and boosts their rural resilience compared to English rural communities.

- **A planning system that delivers:** The availability of suitable business accommodation is also a factor for many farm businesses, many of whom need to expand upon and replace buildings which may be decades old. It is essential for example for the planning system to recognise the value of productive farmland and the need for farmers to erect the buildings and carry out the operations they need to innovate, become more productive, meet regulatory requirements and to benefit animal welfare.

The NFU welcomes recent changes to update permitted development rights for farming, but there needs to be a clearer national steer to support farming and rural businesses. The definition of sustainable development for

example in the National Planning Policy Framework needs to reference productive farmland. The upcoming review of the NPPF in the summer provides an excellent opportunity to deliver a more effective planning system for farming. We have welcomed the draft NPPF proposals for building a strong competitive economy (NPPF chapter 6), acknowledging that sites to meet local business and community needs in rural areas may have to be outside existing settlements and in areas which are not well served by public transport (NPPF chapter 9). This acknowledges the fact that there is a limited amount of rural business sites and many areas no longer have regular bus services. The NFU would stress that this does not mean that rural roads should be neglected, rather than more innovative transport solutions and more use of electric vehicles will have to play a greater part.

- **Access to skilled workforce:** while covered in the labour and the workforce section of this response, access to skilled labour should also be considered within the context of supporting rural communities. The food and farming workforce requires a decent place to live and access to rural services. Attractive rural conditions also help farm succession. However, many farming families report children have been put off returning to rural locations because of the lack of modern services such as broadband and mobile coverage. This is also impacting on rural businesses ability to invest and develop their businesses.
- **Affordable housing:** There is insufficient affordable housing being delivered to meet rural needs, and there needs to be mechanisms put in place to deliver rural worker homes inside and outside areas of high housing prices, and to help address rural depopulation. More homes could be accommodated from historic farm building conversion and re-building, including in National Parks and other protected landscape areas with the right policy framework. The NFU has specifically promoted the need for delivering more homes on farm for farm workers and to aid with succession, including from agricultural building conversions, which could now provide up to 5 homes under permitted development rights. The NFU welcomed the proposed new National Planning Policy Framework policy position (NPPF chapter 5) for isolated dwellings including extending the rural worker test to include a worker taking majority of control of a farm business, and to allow the subdivision of an existing residential property. Such measures could offer more practical solutions to enable easier farm succession and allow farming families to continue to live together and offer business and community support, as well as to accommodate more rural workers on farm.

Farming in the uplands, remote areas and designated sites

The NFU believes that farming is at the heart of all activity in many rural areas, including the uplands, remote areas and designated sites. We believe that a successful future policy will take into account the following:

- Farming creates and maintains the thriving natural environments supporting the beautiful, semi-natural landscapes.
- Agriculture is the driver of the uplands vibrant rural economy. Future policy should acknowledge that a thriving agricultural sector in and around the uplands is part of a wider agri-food and fuel industry that is both economically and strategically important.
- Agriculture supports health and well-being providing outdoor recreational opportunities.
- Farming is central to providing the national treasures on which a vibrant rural tourism sector within the uplands is built.
- Farming maintains the 'world class' landscapes for international visitors and landscapes everyone recognises as our National Parks.
- Farming provides many benefits from which some are listed above, ensuring funding for these is targeted at the active farmer is key to future agricultural policy.

Without doubt all of the specific options set out in the consultation paper have a necessary role to play in the future of upland farming businesses. However the NFU's upland membership feels that the need for affordable housing has never been more critical in these areas and does not feature in the government consultation. The next generation are constantly looking to maintain and develop profitable business, while delivering the huge array of public goods and benefits that upland farming provides. With limited housing, often at prices far above UK averages, this removes the possibility of local people living in the landscapes that they so passionately protect and enhance. To ensure a new generation of farming and communities can continue to enjoy living and working in these rural environments, planning policies which enable responsible growth of affordable housing have to be developed.

- Planning policy that embraces changing times: the streamlining of the planning process and for national planning policy to recognise the strategic importance of food production is necessary. Concerns about landscape protection should be balanced with an understanding of the need for farm businesses to change with the times. Retaining viable farm businesses enables the continued management of the wider landscape that the uplands are valued for. We need imaginative and flexible planning policies in the uplands that:
 - strike a sensible balance between landscape protection and the modern infrastructure needs of farming in a competitive world market;
 - enable farm businesses to diversify within agriculture to respond to market pressures to retain a viable business;
 - facilitate diversification into non-agricultural business enterprises to support core agricultural activity;
 - allow farm businesses to remain compliant with evolving environmental and public health legislation;
 - enable farm succession by delivering on farm housing requirements;
 - support and encourage renewable energy and climate change adaptation projects.
- Environmental Schemes: as has been noted within the government's consultation, farming and environmental delivery is completely intertwined and has created beautiful grazed landscapes we recognise today. Ensuring environment schemes build and develop this relationship to allow productive, profitable agriculture alongside maintaining, as well as enhancing the natural environment is key. Principles of universal environment schemes, maintaining environmental connectivity and engagement delivers a huge range of environmental benefit, as well as allowing a higher level, more targeted scheme to be built from this. The vision of locally led schemes, to enable the most effective delivery, underpinned by national frameworks and payment systems, provides farmers local flexibility and a national level of consistency to fairly and accurately reward environmental benefit.

The recognition within the paper of the many additional challenges the LFA area and above faces, alongside the extra opportunities of delivering many public goods is very positive. Wherever they are delivered, ensuring fair and robust systems are in place to reward the farmer delivering the benefit is key.

- Administration: any future environment scheme has to be simple, with quick and efficient delivery mechanisms. With farmers returning so much for the environment, providing fair and timely levels of funding for this work is crucial. Within the uplands, the balanced nature of agriculture and environmental delivery results in a far larger proportion of income being generated from environmental work and schemes. For these businesses to continue to deliver so much, the value of timely, accurate and simple payment mechanism must not be undervalued.
- Common Land: the additional complexity of common land needs to be specifically acknowledged within future policy. Often with further physical and legislative restraints, combined with open public access, commons create a challenging environment for upland farmers. Within this environment, farmers provide the underlying role of good management through appropriately stocking these areas. Valuing the benefits that commons have for society, through open access, the scheduled monuments or being the home of over 20% of SSSI's is imperative. Fairly administering and rewarding farmers/commoners for the value that they deliver to society through maintain these areas should be a priority.

Annexes 16 and 17 provide more detail on the NFU's vision and commitment to upland, hill farming and remote areas.

Changing regulatory culture

Our withdrawal from the EU provides an opportunity to review the regulatory environment under which farming operates, and to devise a regulatory regime that is fit for purpose, effectively supporting productive agriculture and trade on agri-food products with overseas markets, while protecting the environment and the public.

The NFU has previously set out its vision for the future regulatory environment [vision paper on regulation](#) (annex 18). Many of these points are reiterated below, but it is worth highlighting that regulatory equivalence with trading partners must be ensured in order to maximise the potential and fairness of trade in British produce with the EU and globally. As the UK develops its own regulations, science, evidence and proportionality should guide government thinking. Therefore impact assessments should be used to gauge the effects of rules on farm businesses. Such assessment of regulation's impact should also extend to its effect on the availability of agricultural technologies and innovation toward new solutions.

At the farm level, inspections need to be better co-ordinated and planned across different regulatory agencies to reduce overlapping, duplicated checks and be overall more proportional. Greater data and information sharing between regulators and third party voluntary schemes will enable regulators to identify and focus their efforts on where there is greatest risk of non-compliance. Farmers that demonstrate they present a low risk of infringing on rules, and those that go further through voluntary schemes should have this effort recognised when compliance with regulation is being assessed. Earned recognition should therefore feature in the design and implementation of future regulation.

Improving inspections and enforcement

The NFU has made dozens of submissions in response to the various regulatory reviews undertaken by government over the years. This provides a wealth of insight into how inspection can be improved, which is also captured in our Regulation Vision Paper attached (attached). Furthermore, we look forward to contributing the regulatory review announced by Defra that will be carried out by Dame Glenys Stacey on farm inspections.

With regard to the specific details of the consultation paper, we believe in particular that Defra should make greater use of risk-based targeting; greater use of earned recognition; and, there should be better data sharing amongst government agencies. Furthermore, the culture of inspections should be to regulate towards compliance by providing farmers with an opportunity to rectify any issues raised and either providing advice to aid compliance or at the least directing farmers to advisory services. As it stands, farmers perceive some inspection regimes as inspections to penalise.

Regulation and enforcement could be significantly improved by separation of function. It is offensive to natural justice for the functions of inspector, enforcer, determiner, penalty-applier and costs collector to be embodied in the same agency or, worse, the same department or individual. Contrast this with the criminal justice regime: the inspector is the police; the enforcer is the Crown Prosecution Service; and the determiner, penalty-applier and costs collector is the Court. The consequences for farmers of regulatory breaches can be serious; enforcement should therefore be fair, objective and independent.

Enforcement could also be significantly improved by a procedural code that applies across all inspectors and enforcers dealing with the regulation of farms. That code should aim to professionalise the inspection and enforcement regimes, setting standards for investigations and evidence collection, enforcement approach, penalty application and cost collection (if relevant). That code should also provide safeguards for farmers, such as the second rule of natural justice: *audi alteram partem*: the right for farmers to know the evidence against them and to have a fair opportunity to answer the case against them, before any decision to apply a penalty is made (not just appeals after the fact). These are basic rights of procedural fairness.

The Polluter Pays Principle

We are concerned about the reference to the 'polluter pays' principle. Looking back at the definition in the 1992 UN Rio Declaration, Principle 16 says:

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“National authorities should endeavour to promote the internalization of environmental costs and the use of economic instruments, taking into account the approach that the polluter should, in principle, bear the cost of pollution, with due regard to the public interest and without distorting international trade and investment.”

In the Lisbon Treaty, the principle is covered as follows (Article 191 (2)):

“Union policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Union. It shall be based on the precautionary principle and on the principles that preventative action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay.”

However, it is unlikely to be a controversial point that today the ‘polluter pays’ principle is used in a much broader sense, becoming an overarching principle of environmental responsibility. The key question, then, is what does Defra mean when it says that it will “*maintain a strong regulatory baseline of standards that reflects the ‘polluter pays’ principle*”? Instead, we would encourage Defra to reflect on the five principles of good regulation set out by the [Better Regulation Task Force](#); namely: proportionality; accountability; consistency; transparency; and targeting. Those principles would make a far better basis for the regulatory baseline.

Regulation, growth and innovation

While not specifically raised in the paper, the role of regulation is crucial to the success of farm businesses today and their willingness and ability to invest for tomorrow. In numerous other sections of the paper, the NFU calls for a more certain regulatory environment that encourages business growth and investment, as well as investment in research and development, which is vital to the sector meeting profitability and environmental challenges.

One aspect at the centre of this is the Precautionary Principle. The key element of the Principle is that where there is a potential threat to the health of people, plants, animals or the environment, the cause of this threat should be restricted, even if scientific proof is uncertain. There is clear merit to this approach and the NFU is not opposed to the Principle per se, as long as it is applied appropriately and proportionally. Central to this is better taking into account the potential costs and benefits of taking precautionary action, or not taking the action, as well as the best available scientific evidence. The NFU is concerned that these aspects covering real-world impacts have often been side-lined in applications and interpretations of the Principle. In particular the NFU believes regulators have unduly focussed on the hazard posed by certain actions or technologies, rather than the real-world risk posed.

This has been a particular issue for farmers in terms of the availability of crop protection products, such as fungicides, herbicides and insecticides. The current EU regime for approving products for use has seen many vital products lost to farmers, even when they are used properly and with minimal risk to the environment or the public. Moreover, the Principle has in our view led to huge costs in bringing alternative products or technologies to market, further compounding the problem. This loss of the means to protect crops poses an enormous threat to farmers’ ability to ensure sustainable yields, prices and the health of a wide array of crops.

Brexit presents the opportunity for the UK to adopt a different approach and legislate to properly define and improve the application of the Precautionary Principle. It should not be lost, but can be improved so that regulation takes greater account of risk, innovation and the costs of taking action. One specific effort in this direction is the Innovation Principle, which is designed to work alongside the Precautionary Principle. The NFU sees merit in the core elements of its approach, as it would have regulators consider the effect of regulations and decisions on the ability of developers of new technologies to innovate, and how this ability may be limited or damaged. Applying elements of the Innovation Principle would be of particular importance for meeting the challenges detailed in the agricultural technology and research section of this response document.

Risk management and resilience

As the UK looks to develop international trade relationships there is significant potential for volatility to increase as markets are increasingly exposed to global factors such as weather, pest, disease and trade relations. Farmers in the UK share the aspiration of reducing their reliance on direct income support payments. This is a long term goal however and should not be arbitrarily pursued without sufficient and robust initiatives that can effectively respond to changing trade and market situations. The NFU's Vision Paper on "[Empowering farms to manage price volatility](#)" (annex 19) provides full details on how we believe the volatility and risk management challenges can be met.

The NFU believes that an effective programme for volatility mitigation should fulfil the objectives of income resilience for sustained periods of market downturns combined with volatility management tools for the increasingly frequent levels of market volatility observed in the commodity markets. In the short to medium term it is envisioned that direct payments combined with agri-environment payments will continue to be the primary mechanism for supporting farm businesses with the impacts of market volatility. In the medium to long-term the UK should look to develop market based tools which complement such measures in helping to smooth the impact of market forces on farm incomes. The NFU believes that mandatory price reporting is essential in order to develop properly functioning market-based tools and we therefore urge that this is pursued and implemented as the consultation indicates.

A cost-effective, responsive and accessible scheme is preferred to a farm specific, complicated scheme such as a fully government-run margin insurance programme. However, there is a middle ground and the NFU believes Defra is inaccurate in its assertion that insurance programmes on the whole do not need to be subsidised in order to function. We believe that even market-based schemes may in fact require a level of government support to overcome the high levels of risk associated with them. Furthermore, the government has a role to play in regulating and legislating in market failure situations, such as minimum contract terms, or other legal safeguards in situations of significant market imbalance.

Overall, and with specific regard to price volatility and income resilience, the government must be far clearer on how monies taken away from direct payments will fully address the role that they play in risk management and businesses resilience.

Price volatility and direct payments

Extreme price volatility weighs heavily on farm businesses. It impacts on farm profitability, it squeezes cash-flow and in turn this impacts on working capital. As a result, farmers are less able to efficiently manage farm operations in the short term and may be required to delay or cancel much needed investment on-farm. Short-term impacts on cash-flow can also place significant pressure on the financial viability of an otherwise profitable business which significantly undermines investor confidence thereby having an adverse impact on long-term profitability. While it may not be an express objective of direct payments, they are one of the primary mechanisms by which farmers may mitigate the impact of volatile markets.

Defra has failed in the consultation to explicitly address the important role that direct payments play in risk management. The NFU however believes that in years of low income due to a price downturn or low yields, direct payments provide a stable and reliable source of income which is not impacted by market forces. A key strength of area based payments is that they are a broad measure of support which can be targeted towards multiple sectors such as the crops, livestock and dairy sectors and to enterprises of varying sizes with relatively low transaction costs. In addition, with income from agriculture so variable and predominately negative for certain sectors, it is of high concern where funds would otherwise come from to fund household income, working capital on farm and in part any maintenance and investment all in an environment of uncertain future returns. With the withdrawal of direct payments being the preferred government approach, Defra should be far clearer and more concrete in the solutions it presents to help farmers manage market risk.

Dealing with crisis situations

The NFU welcomes Defra's commitment to a domestic provision for safety net mechanisms currently provided by the EU Common Market Organisation regulations, which will allow the government to intervene in such crises.

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This is reflective of the NFU's own view that the provisions of the CMO should be kept in UK policy. We would recommend that other measures of the CMO should be retained, such as PO and IBO structures, which help farmers address the challenge of wider market volatility and crisis situations. In the NFU's view, these measures should not be lost; indeed Brexit creates an opportunity for these provisions and measures to be further developed and better tailored to meet UK requirements. Furthermore, a crisis reserve type measure will be an important feature to allow tailored response to exceptional events which impact domestic production and markets. Linked to this, the infrastructure and resources required to deal with disease outbreaks must also be retained as per the current EU requirements.

The NFU would also like to note that there appears to be little recognition in the consultation of the changing climate and that the risks that farming will be exposed to in the future will be different and potentially greater than in previous decades. Therefore it must be recognised that while Defra states that "farmers will have access to the tools they need to manage income volatility but they must take responsibility to invest for the lean years as other sectors have done", it must be considered that farmers across the world are going to have to manage more frequent and more extreme climatic events beyond their and the global food system's experience. Climate change adaptation and mitigation will therefore be highly important factors in the risks that farmers face and the tools they require to overcome them.

Agricultural insurance systems

While they do not go far enough toward addressing the volatility and risk challenges faced by farm businesses, the consultation paper's proposals toward stimulating a market for agricultural insurance reflect some NFU thought on this subject. An agricultural transition period is a good opportunity to pilot insurance programmes and build our capacity to deliver market orientated solutions.

However, the NFU believes that the Command Paper is inaccurate in its assertion that insurance schemes do not need to be subsidised in order to be delivered. Multiple insurers have fed back during the NFU roundtable that some form of subsidised premiums may be necessary to overcome the high levels of risk associated with a scalable revenue/margin insurance product in order to make it a commercial product. The NFU has shared modelling with Defra on some of the costs and potential scale of subsidy required for a feed wheat revenue insurance scheme. The NFU will continue to work with the insurance industry and Defra to further understand the feasibility of these schemes. We recommend that government revisit its view regarding the level of government intervention required to make these schemes a success.

When it comes to a market for agricultural insurance premiums, the consultation paper suggests a perceived issue on the demand side. The NFU is feeding into government consultations on this topic. However, lack of a greater level of government support for new schemes and lack of private sector offering in this area would be an obvious barrier to demand. In addition, the poor quality of market data combined with the fact that extreme volatility has been a more prominent feature in only the last ten years would also suggest why sophisticated insurance products haven't developed in the UK. The NFU does recognise however that it has a role to play in raising awareness of such products or schemes, but these must be properly developed in order to do so.

Wider policy measures and considerations to help farmers better manage market risk

The NFU welcomes the government's commitment in the consultation paper to exploring how it can provide better data that are fundamental to building effective risk management tools. In previous work on mandatory price reporting, the NFU has clearly defined what is required in regards to changes in regulation to deliver robust mandatory price and volume reporting which is suitable to support market orientated decision-making, collaboration and the development of risk management tools. Specifically for the dairy, livestock and crops sectors such reporting should be introduced and would increase market transparency as a basis for risk management tools and greater market orientation. More work needs to be done on understanding how new regulation should be structured to enable reporting of data collected by government bodies and the potential role of AHDB in the provisioning of such data. It is also important to consider wider reporting than just on price, but rather the value of volume reporting too. A more detailed paper on mandatory price reporting is contained in annex 20.

Building on this data provision, futures markets are an important risk management mechanism primarily utilised in the UK by the crops sector with some early adoption in the dairy sector. In the US, futures markets are highly developed with contracts offered for a range of agricultural commodities including grains, different classes of milk and processed dairy products and livestock amongst others. The challenge for the UK post-Brexit is that key

agricultural futures exchanges for commodities such as milling wheat and dairy are located in the EU and therefore any introduction of trade barriers may limit the ability of UK's Agri-food sector to utilise such markets to manage market risk. Ensuring that futures markets are sufficiently liquid is fundamental to their success and, better data provisioning could help improve and fully realise the value of these tools.

A fundamental consideration when designing risk management measures is if they are compatible with WTO rules, specifically the provisions of the Agreement on Agriculture. While there is certainly scope for tools to be built within the provisions of Green Box and the NFU also sees value retaining and potentially utilising provision for spending in the Amber Box. This would help the UK develop and explore a full range of risk management measures and seek to trial approaches currently used in other countries. Therefore the NFU urges the government to seek and secure a suitable AMS ceiling at the WTO to allow it to do this – in all likelihood this would be beyond the *de minimis* level.

Making measures work in practice

Well-designed measures crucially need to work in practice and for operators on the ground. The NFU has laid this out in more detail in its paper [empowering farms to manage price volatility](#), but in summary, we believe that in designing new volatility mitigation measures, the government should:

- Ensure that these are appropriate to the specific issues faced by farm businesses. The measures should effectively counteract the cash flow pressures encountered by the full spectrum of farming sectors and business structures. For some sectors, sustained market downturns may be more commonplace and thus measures that address income resilience may be more relevant than those that help manage short term market fluctuations.
- Design measures that are able to respond quickly to the market situation and deliver relief in a timely manner. All measures must target the active farmer and be accessible to those they are seeking to assist. Although sophisticated schemes can in some cases better target funding, measures should not be prohibitively complex for farmers to access.
- Make sure the design of market linked mechanisms should be transparent. If reference data is used as a basis for payments, such data should be independently sourced and publically available. The methodology behind collecting data for such indices must be clear with data independently audited to ensure its integrity.
- Keep transaction costs associated with support mechanisms to a minimum in order to ensure funds are effectively directed to address their intended cause. There is a concern that sophisticated insurance mechanisms may carry a significant administrative burden for all parties involved. This diverts crucial funds away from the final beneficiary. It is important to ensure that the delivery process is designed to minimise transaction costs for the government, for private sector partners and for the farmers as the final users.



Protecting crop, tree, plant and bee health

The NFU believes that by developing a better, more efficient, risk and science-based regulation, there is the opportunity for the UK to achieve a triple win of maintaining the highest standards of consumer and environmental protection, continuing to enable trade, and creating better and more effective outcomes for UK farm businesses and the entire food and drink sector.

The NFU agrees with the importance government places on preventing and controlling pests and diseases of crops, honeybees, and plants and trees in the wider environment; recognising the significant losses that outbreaks can cause for businesses, the environment and the public. The starting point for the future role of government in protecting crops is horizon scanning for threats and to continuing to maintain appropriate risk-based national biosecurity measures to prevent pest and disease outbreaks, and if outbreaks do occur, to ensure the availability of necessary plant protection tools and innovations in plant protection technology. These measures working together should all contribute to the UK being able to ensure bio secure borders. The robust and consistent application of scientific evidence needs to be at the heart of this approach – a characteristic for which the UK Government is already recognised and respected throughout the EU.

Farmers take their responsibility when using plant protection products very seriously. Use is monitored and increasingly precise. For example the total weight of pesticides applied in the UK has decreased since 1990 and was 48% lower in 2015 compared to 1990. Spraying is highly professionalised with 20,000 members on the National Register of Sprayer Operators and around 90% of the UK sprayed area covered by 'National Sprayer Testing Scheme' tested sprayers.

However, for UK farmers to best ensure crop health, and competitive and productive harvests, they need to be on a level playing field with their EU, and indeed global, counterparts. The NFU notes that even within the same system, the EU is far from a level-playing field for farmers growing the same crop in different countries. In the short-term, while we are aligned with the EU, there are significant opportunities to bring UK farming businesses in line with their EU competitors. Overall government should better factor-in the need for equivalence of rules as it develops wider policies, specifically in trade relations. Reliance on fewer actives is compromising the ability to control certain crop pests, weeds and diseases, and puts pressure on resistance management strategies. Farmers have been using a variety of Integrated Pest Management practice for centuries and the approach needs to be at the heart of future crop protection strategies.

Farmers are minimising the risks pesticides can pose to the environment

The NFU agrees that Integrated Pest Management (IPM) needs to be central to crop protection. Most farmers use IPM as a standard aspect of their approach to farming, combining traditional farming practices (like crop rotation, and timing planting to avoid pests) and modern farming techniques (like using resistant seed varieties, pest forecasting and biological controls) with measures that protect the environment.

Moreover, BASIS has existed for forty years and provides a professional register that those advising on crop production must be a member of. To be a member, advisers must hold a professional qualification, sign-up to a code of ethics and commit to CPD. To remain BASIS accredited, advisers must accumulate CPD points so that they stay abreast of the latest developments.

The NFU supports efforts to promote the uptake and importance of a range of IPM techniques. We believe the majority of farmers are using IPM techniques, have been doing so for many years, and this needs to be recognised and supported by government. The use of IPM is a commercial reality for many farmers – the challenge is measuring the extent and detail of IPM activity undertaken. Under the Voluntary Initiative (VI) – the industry-led partnership that promotes best practice and responsible use of pesticides – Integrated Pest Management Plans were introduced in 2014 to capture this information. As a result, use of plans and the

information captured has increased year-on-year with plans now completed by nearly 17,000 farmers managing about 4.4 million hectares of land.²⁶

Demonstrating IPM is a requirement of the EU Directive on the sustainable use of pesticides (SUD). It is a VI priority to provide delivery mechanisms that help meet many aims of the SUD and the UK's National Action Plan (NAP), including demonstrating IPM. The NFU is pleased the effectiveness of this approach was recognised recently by George Eustice MP, Minister of State for Environment, Food and Rural Affairs, who in giving evidence to the EU Energy and Environment Sub-Committee stated he was 'very confident' the UK is fully complying with the Directive²⁷. The NFU asks government to continue this positive support of the current UK approach when it reviews the NAP later this year.

The VI helps farmers deliver on UK's National Action Plan (NAP) commitments by:

- providing IPM plans that record and encourage greater uptake of IPM
- working with City & Guilds to produce a qualification and certification that all operators applying pesticides need to hold
- managing a National Sprayer Testing Scheme (NSTS) that requires all application equipment to be tested.

In addition, the VI also has a National Register of Sprayer Operators (NRoSO), which is a central register of sprayer operators using Continuing Professional Development to ensure best practice. The VI approach, to ensure IPM is proactively used, to ensure pesticide application is undertaken by competent trained operators, and to ensure all application equipment is regularly tested, has proved effective in delivering on SUD aims to minimise the risks of pesticide use to human health and the environment – as recognised by the Minister.

The need for IPM plans, training and qualification of operators applying pesticides, and testing of application equipment, is further enforced by these being requirements of UK farm assurance schemes, such as Red Tractor Farm Assurance, which has over 60,000 farmer and grower members (2016).

The VI also has a strategic priority to reduce the risk of pesticides getting into water, and works directly with water companies, Natural England's Catchment Sensitive Farming (CSF) programme and the Environment Agency (EA). River monitoring by the EA for seven full crop years has shown that the VI together with CSF delivered a 50% reduction in the overall pesticide levels in six test catchments.²⁸

Farmers are minimising the risks pesticides can pose to human health

Beyond protecting water and the environment, farmers and growers also work hard to protect human health and ensure pesticide residues in food are minimised and comply with the relevant Maximum Residue Limit (MRL) requirements. MRLs help ensure Good Agricultural Practice has been met, and are set below safety levels.

In the UK the expert committee on Pesticide Residues in Food (PRiF), which oversees a comprehensive pesticide residues surveillance programme, recently published reports²⁹ showing that for food from the UK around 60% of samples contain no residues at all. In the majority of cases where residues are found, they are within the trading limits of the MRL. In around just 1-2% of samples, residues were found above the MRL, but on further investigation none were expected to have an effect on human health. Again, the need to monitor and meet MRLs is further enforced by requirements of UK farm assurance schemes, such as Red Tractor Farm Assurance.

²⁶ The Voluntary Initiative Annual Report 2016-17 <https://voluntaryinitiative.org.uk/media/2144/voluntary-initiative-annual-report-2016-17.pdf>.

²⁷ House of Lords Select Committee on the European Union, Energy and Environment Sub-Committee. Corrected oral evidence Minister of State for Agriculture, Fisheries and Food <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/eu-energy-and-environment-subcommittee/secretary-of-state-agr-fish-food/oral/79042.html>

²⁸ The Voluntary Initiative Annual Report 2014-15 <https://voluntaryinitiative.org.uk/media/1870/vi-annual-report-2014-15compressed.pdf>

²⁹ The Expert Committee on Pesticide Residues in Food (PRiF) Annual reports for 2015 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/654961/expert-committee-pesticide-residues-food-annual-report-2015.pdf and 2016 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655035/expert-committee-pesticide-residues-food-annual-report-2016.pdf



The NFU is concerned that the government consultation paper infers there are significant problems arising from pesticide use, but then provides no supporting evidence to back this up. Pesticides are an essential, yet often misunderstood part of current farming practice and food production. Pesticide use can also help ensure the safety of food, for example preventing the development of harmful mycotoxins. Farmers recognise their use may involve risks and proactively take steps to ensure their careful and appropriate use to minimise those risks. It is clear from the results of the work of the VI and PRIF detailed above, that significant progress has been made to minimise the risks, promote responsible use and the increase the uptake of best practice and IPM. And as referred to above – the contribution of these achievements in fully complying with the requirements of the SUD has the full confidence on the Minister.

What future UK pesticide regulation do we need?

The NFU's paper – [Improving Pesticide Regulation: the challenges and opportunities of transferring EU pesticide regulation into UK law](#) (annex 21) – sets out our thinking around how a scientifically-robust, risk-based approach to regulation would strike a better balance than current EU pesticide regulation. The key points are:

- future UK pesticides regulation needs to be fit for purpose – protecting the environment and the public, while effectively supporting productive and competitive agriculture and horticulture
- future UK pesticide regulation needs a truly holistic approach, with robust and consistent application of scientific evidence and a risk-based approach at its heart
- alongside continuing protection of human and animal health and the environment, there is the need to ensure availability of necessary plant protection tools and to promote innovation in plant protection technology
- a new regime will need to complement the requirements of new trading arrangements. The UK industry must not be disadvantaged by the Brexit process compared to EU competitors
- the UK needs to retain and build on the Chemicals Regulation Division's widely recognised expertise and efficiency, to maintain influence and capability
- considering pesticide use as potential option in a wider integrated approach to pest management (IPM) is a valuable aspect of the existing regulation that must be kept and promoted under a future UK regulation
- on pesticide availability, the EU is far from a level-playing field for farmers growing the same crop in different countries. In the short-term, while we are aligned with the EU, there are significant opportunities to bring UK farming businesses in line with their EU competitors
- realising better regulation for pesticides will require a culture change across government departments, agencies and executive non-departmental public bodies, driven from the top-down
- new UK pesticide regulation presents an opportunity for a more proactive approach to this policy area – horizon scanning and identifying critical gaps in pest control practices for particular crops, with particular attention paid to resistant pests.

Protecting tree and plant health: balancing effective biosecurity and access to imported plant material

Future UK Plant Health regulations need to continue to maintain appropriate risk-based national biosecurity measures while ensuring efficient and frictionless trade. This includes the UK's capability to handle the level of future import controls, in terms of infrastructure and resource requirements, to deliver timely services at both point of entry and on-farm/nursery.

In the medium to long term, growers also need government to implement a more supportive policy landscape in the UK, which facilitates import substitution (for example, favourable planning regulations, an enabling crop protection policy, extension of GSCOP to ornamental plant production) to reduce import of plant material into the UK and thus reduce the risk of importing pests or diseases with that material.

Some sectors of UK agriculture and horticulture are currently heavily reliant on imported plant material (seed, seedlings, cuttings, young plants and trees) from Europe. For example, the British soft fruit sector imports 95% of its young plants (around 100 million plants a year); protected ornamentals imports around 50% of its propagation material; around 5% of seed potatoes are imported; oilseed rape seed is imported; and all maize and sugar beet seed is imported. The UK also exports plant material, for example, around 85,000 tonnes of seed potatoes each year.

In some sectors, such as propagation material for ornamentals, factors such as uncertainty around future business conditions and restrictions imposed by the UK planning process on building new sites (particularly glass



and polytunnels), do not encourage investment in UK production. In this sector, the UK does not currently have domestic production capacity to meet the volumes required to displace its reliance on imports. However, there is a clear biosecurity and trade-balance advantage to be had from a future increase in UK self-sufficiency. With the right market conditions and supportive policy landscape from government, UK growers would be able to increase home production in the future. Any realistic national strategy on increasing domestic production will have to include an element of plant imports (most likely from Europe) as both a buffer to ensure reliable supply in the face of unpredictable external elements that affect production, and to provide plants/products not easily grown in the UK.

Any sudden changes to the current system that impact plant movements (such as slow processing during import/export checks) would severely disrupt trade both in terms of delays and subsequent quality issues. Quarantine periods and third party checking through this process would be impractical from the perspective of cost and the availability of space to hold stock. However, an efficient movement of plant material should not be at the expense of good biosecurity. This balance must be found using a well-resourced risk-based approach, underpinned by the current Plant Health Risk Register, to horizon-scan for new and emerging risks and to be responsive to changes in risk over time.

Case Study – the impact of trade delays

In a single week, Ball Colegrave (one of England's providers of seed, plugs and vegetative products) imported and delivered to customers 3.7million annual plug plants in 43,778 trays. To delay this material for just two days would result in it having to be unloaded from trolleys requiring 6500m² of glasshouse space and a cost of £1000+ in labour along with a likely decline in plant quality.

The UK was influential in the EU Plant Health review that shaped the new EU regulations expected to come into force in late 2019. As a result the industry is largely comfortable with that regulation being transferred into future UK law.

On leaving the EU, industry would want to continue to be able to recognise the EU plant passporting system, which ensures good plant health hygiene prior to export and encourages a risk-based approach to managing and targeting plant health inspections on UK imports. The existing management system that support this – PEACH – is widely considered to be a good example of a streamlined cross-departmental system that has brought about significant savings in costs and resources for UK authorities. It is also integrated with Custom's CHIEF system through the Automatic Licence Verification System (ALVS), thereby enabling efficient trade for industry. Government should look to find efficiencies in the current system, seeking to avoid duplication of pre-notification requirements in place for plant health inspections, thereby avoiding additional costs and delays on clearance of consignments. One option would be an earned recognition 'Assured Trader' scheme, where government would recognise suppliers of horticultural goods with a robust track-record of good practice.

After exit, the UK Plant Health Authority (APHA) will need to remain fit for purpose and may require additional functionality, depending on the deal with the EU. Government should plan for additional Plant Health Inspectors or Border Control Inspectors to meet this need and avoid delay at import sites. Government could consider regulated clearance of consignments at the final destination site rather than at point of entry. The parameters for this would have to be clearly defined and be risk-based.

In future it should also be possible to improve trading relationships with countries that the UK recognises as having robust national plant health policies and processes. For example, the USA has negotiated specific export terms with the Netherlands and the UK that allow easier export of bulbs into the USA.

Since the outbreak of Ash Dieback in 2012, the UK Authorities have made increasing use of the 'Protected Zone Status' to legitimately manage plant movements within the EU Plant Health regulation framework. This is a strategy that could be developed further in the future, as outside of the EU the UK would be able to more easily consider national measures in the event of a plant health threat considered high risk to UK businesses or the environment.

Government should also continue to support the 'Plant Health Assurance Scheme' that is under development and aims to improve plant health management in businesses across the UK. This voluntary scheme, backed by industry and government, would set out best practice requirements for scheme members in areas like plant health policy, responsibilities among teams, risk management, constant improvement, and keeping up to date with latest threats and information. This scheme could launch in 2018 and has already received interest from other EU countries as a model for plant health compliance and best practice.



Protecting honeybee health

Historically bee health has fallen under the Defra animal health policy area. While section 7 of the Command Paper makes no mention of bees, we should be mindful that there may be read-across to bee health. For example, it talks about wanting to see a substantive reduction in endemic disease and there is a possible read-across here to control of the endemic *Varroa* pest in hives. Commercial bee farmers may want to think about what an 'animal health pathway' could look like for honeybees. We should also be aware that pest and disease prevention and control services by government bee inspectors are in part supported by funding drawn down from the EU Apiculture fund. There is a question about how this essential support for pest and disease control in UK honeybees will be funded in future outside of the EU.

Government's role in promoting the development of a bio-secure supply chain across the forestry, horticulture and beekeeping sectors

The NFU believes the government can:

- Provide grants, loans or other capital incentives and supports to improve infrastructure to improve biosecurity (e.g. glasshouse screens) or to help minimise pesticide impacts (e.g. low drift spray nozzle technology; tunnel sprayers in vertical crops). Such investment needs to result in measurably lower impact and/or increased productivity.
- Encourage cross-industry action to reduce circumstances where pests move from a crop being grubbed to a new crop (e.g. whitefly or thrips moving from old glasshouse edible crops to new glasshouse edible or ornamental crops).
- Facilitate better communication to businesses of threats, with Plant Health Inspectors advising business about areas of risk and opportunities for improvement. This builds on the government plant health portal. The Plant Health Risk Register is also an initiative the NFU fully supports and that should be continued going forward. It is in-keeping with the priority mentioned above for pesticides – about adopting a more proactive horizon scanning approach - identifying threats and critical gaps in pest and disease control practices.
- Support plant and bee health education, training and CPD, to improve best practice and enable the industry to take more responsibility to do more of its own inspection - giving them responsibility.
- Discourage buyers from spot-buying from outside their usual supply chain – such import of material for promotions and events is done under temporary plant passports and is considered an area of high plant health risk.
- Discourage buyers from exploiting plant health issues for commercial gain. Investigate shared 'Plant health responsibility deals' between growers and retailers to help achieve bio-secure supply chains.
- Enable greater use to be made of plant breeding techniques and the resources in gene banks to provide crop varieties that are much more resistant to pests and disease, and ensure research is undertaken to deliver more resistant and resilient crop varieties.
- Investigate opportunities for cost and responsibility sharing to mitigate the impacts of pest and disease outbreaks on business. Government could help pump-prime or underpin an insurance based scheme for growers that could be used in the event of devastating pest or disease outbreaks. Industry and government have investigated support options in the past, but no measures have been put in place.³⁰ Government subsidized insurance schemes exist in the USA to help manage the volatility resulting from pests and diseases.
- Fund existing R&D institutions that provide cutting edge support for the industry – to improve the resilience of crops.
- Support the development of monitor farms.
- Lead the way on plant health best practice by ensuring positive actions are embedded in its own public procurement policies.
- Raise public understanding of the importance of biosecurity and plant health, particularly at points of entry, to support a culture change to make plant health a national priority.

³⁰ Waage, J.K., Mumford, J.D., Leach, A.W., Knight, J.D., Quinlan, M.M. 2007. Responsibility and cost sharing options for quarantine plant health. Report to Department for Environment, Food and Rural Affairs, London, United Kingdom. Centre for Environmental Policy, Imperial College London, Ascot, United Kingdom. 126pp

Ensuring fairness in the supply chain

The NFU has long championed the need for farmers and growers to operate in a supply chain which is fair, transparent, responsive and equitable. The NFU has welcomed the recent government announcements on the scope of the Groceries Code Adjudicator (GCA). However, these announcements in isolation do not provide a silver bullet to the industry to tackle fairness within the UK food supply chain. Farmers need access to robust market data, which mandatory price reporting would contribute to, and the assurance that the terms they are operating to are fair. With the confidence that this would provide, producers would be able to respond to current market demands and work in greater collaboration with the supply chain.

The NFU also shares government's view that more can be done to encourage collaboration among farmers themselves. New incentive schemes, building on the existing Producer Organisation provisions, will play a valuable role in this.

Improving transparency and relationships across the food supply chain

Improving relationships and transparency across the supply chain is a key priority for the NFU and there are a number of areas in which we believe government can focus on to improve this:

A) Mandatory price reporting and transparency

Mandatory reporting of the price and volume of marketed products needs to be in place to help empower producers in the marketplace. This will give better, more accurate market signals to primary producers and will aid market understanding, negotiating capital and the development of new volatility mitigation mechanisms. There are specific requirements for the each sector in this area:

Dairy sector: Current EU regulations require that member states provide the Commission with collated information on milk volumes and prices paid at farmgate as well as some wholesale dairy product information. This information is not timely, not standardised and member states can choose what information they provide (due to a different dairy product mix across the EU). This information is collated and an EU wide price and volume are published.

In the UK, Defra gathers information from most milk purchasers on liquid milk collected from farm in the previous month and the total price paid to farmers for this milk. This is then grossed up and published as the official Defra UK average milk price. As of 1st May 2018 the latest official average UK milk price is for February 2018. There is no reason why the March price has not been made available. Data on the prices and volumes of traded dairy products is even harder to find.

AHDB Dairy collects weekly information on volumes from a number of large milk processors which is then scaled to **estimate** total UK deliveries using the latest Defra UK production figures. There has recently been a discrepancy between the milk volumes published by AHDB and the official milk volumes published by Defra. This led to Defra changing their official volume calculations for 2017, and reviewing figures for previous years. Accurate figures on volumes of milk produced on farm are vital to help farmers manage volatility – as currently high or low milk volumes are given by the milk buyer as the main reason for varying the milk price paid.

In light of shortcomings in the above listed data sources, existing mandatory dairy price and volume data collected by the EU under EC regulation 1308/2013, Commission implementing regulation 479/2010 as amended by EC regulation 1191/2011 should be reviewed by the Commission to include the following:

- a) Highly standardised product specifications for bulk butter, 40% cream, skimmed milk powder, mild cheddar cheese and liquid milk.
- b) Quality and constituent requirements must be standardised.
- c) Price and volume data for product contracted and spot traded during the preceding week.
- d) Frequency of reporting should be weekly to support market responsiveness.
- e) Segmented price and volume data to a member state or devolved region level.
- f) Data submissions should be independently audited to ensure data integrity.

The voice of British farming

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- g) Data should be collected from manufacturers of the products listed in point A. This includes dairy processors. For the United Kingdom this could be facilitated through DairyUK and PTF but we feel the data would need to be audited by an independent authority, or AHDB. Government regulation is required to oblige milk buyers and traders to provide the information.

In the context of Brexit, the UK will also have a crucial role to play in providing reliable price indices through mandatory price reporting to improve market confidence and price discovery. Due to concerns around confidentiality of commercial data, aggregation may be required at a Northern European level to ensure high levels of price correlation whilst maintaining confidentiality of processor data for market solutions such as futures markets or suitable price discovery for EU-UK trade.

Livestock: Within the beef and lamb sectors many issues around mandatory price reporting have been apparent for a long period of time. In 2008 DEFRA commissioned an independent report looking at this issue, this can be viewed [here](#). Many of these concerns are still paramount and highlighted below:

Lamb: The NFU believes that sheep meat should be brought into line with the beef and pork sectors and have enforced mandatory carcass classification and price reporting. There is a distinct lack of transparency and minimal or unreliable market information as very few processors currently report dead-weight prices. English producers and the NFU have long called for a system that ensures producers receive consistent information on the confirmation and classification of the lambs they sell on a deadweight basis and how this translates to the payment for each individual carcass.

Price reporting is standardised and mandatory for cattle but optional for sheep. Dressing to the EC scale and price reporting is mandatory for all plants processing more than 75 bovines a week. The wording is different for sheep in that: *“The Member States that apply classification of sheep carcasses in accordance with second subparagraph of Article 10 of Regulation (EU) No 1308/2013 **may** decide that the requirements on classification of sheep carcasses shall not be compulsory for certain slaughterhouses .”*

And in the second subparagraph of Article 10 of Regulation (EU) No 1308/2013:

*“In the sheepmeat and goatmeat sector, Member States **may** apply a Union scale for the classification of sheep carcasses in accordance with the rules laid down in point C of Annex IV.”*

The EC scale for sheep is laid out in Regulation (EU) No 2137/1992 and is based on work conducted in the UK by the then Meat and Livestock Commission (MLC), now MLC services ltd. This difference, whereby the word “shall” used in the legislation for cattle and pigs has been replaced by the word “may” for sheep has led to a situation where not only is there limited scope for price reporting from abattoirs, but also where the actual dressing specifications that sheep are weighed to, and indeed the precision of the measurements used in the UK, are extremely inconsistent.

Mandatory standardisation will encourage competitiveness as farmers will be able to compare “like-for-like”, with abattoirs having to weigh to 0.1 of a kilo and using a set dressing specification. It cannot be emphasised enough that a simple change to mandatory dressing specifications and price reporting would have a significant impact on market transparency in the sector. The current lack of a consistent EUROP type grading system also stifles market signals, which in the long term means the sector will not meet its full potential in terms of efficiency or profitability.

Existing dressing specifications and price reporting for cattle and sheep collected by the EU under EC regulation 1308/2013 should be amended as follows:

- a) Wording to be changed in 1308/2013 to make dressing and reporting to the European Commission scale as set out in 2137/1992 mandatory, in line with that required for cattle and pigs. This should provide standardisation of carcass classification and dressing specifications.
- b) Ending of the practises of rounding down to 0.5kg.
- c) All payment grids, terms and conditions should be available for all to see on the processors’ or relevant trade association website.
- d) All charges should be itemised in the terms and conditions or on the grid, with independently audited guidance on application. Any charges which are not transparent, such as waste disposal, should be built into the base price.
- e) Ultimately we would like to see all deductions, apart from the AHDB levy, removed.

Beef: Although many areas of the beef industry are governed by legislation, the NFU still feels that improvements need to be made within certain areas, these include:

- a) All payment grids, terms and conditions should be available for all to see on the processors' or relevant trade association website.
- b) All charges, including insurance, should be itemised in the terms and conditions or on the grid, with guidance on what they actually cover with independently audited overview on application. Any processor charging insurance should make it explicitly clear what is covered and ensure that all 'insurance' products have appropriate financial and regulatory controls in place.
- c) Any charges which are not transparent, such as waste disposal, should be built into the base price.
- d) Cattle price reporting should be reviewed to examine the use of "bonuses." For example with respect premiums made for Angus beef, the bonuses are paid using different methods and may or may not be included in the weekly price reported by the abattoir. This can therefore skew the overall deadweight price and reduce transparency.
- e) AHDB and Defra should investigate if it is possible to split out such cattle supplied on bonus schemes to give two reported prices.

Cereals: The NFU wishes to see modernisation of the Corn Returns Regulation to make it fit for purpose for the modern day grain market and ensure that it has the ability to evolve in the future to meet the changing needs of the industry. We specifically wish to see the statutory instrument broaden to cover oilseeds and pulses.

Also, it is vital that the London wheat futures market (LIFFE) remains. Much of the industry's pricing transparency is connected to the London's future's market and should this market collapse we would see a huge fall in this transparency. If the London futures market were to be at risk the NFU wishes to see commitment that the government would be willing to step in and work with the industry to develop solutions.

Sugar sector: Timely price reporting is an important tool for beet growers in their price negotiations with processors. Currently, monthly price reporting from the European Commission reflects the average price achieved by sugar producers across the EU in the month. This is a useful tool to help improve market transparency but is not sufficient alone.

Existing mandatory price reporting requirements should be strengthened by including the following:

- a) Reporting additional prices based on highly standardised product specifications for sugar for food use, sugar for non-food use, and isoglucose.
- b) Prices subdivided to provide price and volume data for product contracted and spot traded during the month.
- c) Price and volume data at a UK level to ensure the industry has the necessary market transparency tools in advance of Brexit.

All data submissions should be audited either by Defra or an independent body to ensure data integrity. Furthermore, the timeliness of price reporting should be improved to reduce the current lag of approximately two months in EU price reporting.

B) Groceries Supply Code of Practice (GSCOP)

The NFU believe that the introduction of GSCOP and the overseeing Groceries Code Adjudicator (GCA), has led to an improved culture change in the relationship between UK retailers and their direct suppliers. This has led to a reduction of unfair trading practice within that part of the supply chain. The NFU would therefore like to see:

- An extension of the remit of the GSCOP to include more retailers and food service businesses (such as Farmfoods, Booths and McDonalds, KFC).
- The GSCOP to include the Ornamental category within the scope of products under GSCOP.
- Make mandatory the principles within agri-sector voluntary codes. These should be overseen by an adjudicator to ensure conformance.
- Allow for the adjudicator to take evidence from farmers and growers.



C) Contracts

The NFU wishes to see improvements to ensure that the contract terms that farmers sign up to are clear, fair and equitable and that the risk that farmers bear under those contracts is fairly allocated and appropriately balanced with the reward obtained. This could be either through regulation or through industry action. Where models (pricing or others) are included in a contract they should be mutually agreed, fairly negotiated and transparent, and where possible linked to objective criteria / external and independent factors. We also believe that farmers should be able to choose from a range of contract options; farmers should be able to select a contract with a risk and reward profile that meets their individual business needs. We do not want to see prescriptive “one-size-fits-all” approach. Within all of the sectors identified below industry voluntary initiatives have been trialled, in order to try and address these issues, but this has seen limited success. We have given an overview below of some of the industry challenges.

Crops

As for many agricultural sectors, contracts have been a contentious issue in UK grain supply chains. Historically, there has been a good level of competition amongst grain buyers. However, the sector continues to see reductions in the number of buyers with companies moving out of the grain procurement sector either voluntarily or by insolvency.

Key issues faced by producers:

- The base grain contract in the UK is essentially owned by the buying companies. By this very nature, the contract is skewed in favour of buyers.
- The baseline contract contains a number of vagaries about it with a lack of some key contract law basics (e.g. definitions). For instance, a recent insolvency in the grain sector highlighted the inadequacy of the baseline contract and the unwillingness of the grain buying sector to carry out any form of meaningful reform.
- Consolidation of grain buyers has increased the amount of power held by certain grain buyers over farmers and indeed traditional co-operatives. Therefore such buyers, over and above the baseline contract, are imposing an increasing layer of specific terms and conditions. With no experience in contract law, farmers find it extremely difficult to interpret the increasing complexity with buyers doing the bare minimum to make sellers aware of terms and conditions.

Key outcomes the NFU wishes to see, which could in part be delivered through strong codes of conduct:

- Professionalisation of the base contract and recognition from buyers that the farming industry has a constructive role to play in evolution.
- Policy protection for arable farmers who are being forced to accept buyers terms and conditions from an increasingly dominant merchanting sector.
- Transparency on terms and conditions and support for farmers to improve their knowledge of contracts and negotiating position.
- A professionalised farm-to-farm trading sector (e.g. feed grains and straw) to increase market diversity for farm gate arable commodities.

Horticulture

Around 75% of the UK’s potatoes are grown on pre-season contract or for a committed buyer. In the top and soft fruit sectors there are also examples of fixed term and volume contracts that exist for processed fruit products. In the vining pea sector the majority of the crop is sold on a contract for freezing or further processing. These contracts offer processors security of supply for a specified volume of produce. For growers, these contracts offer clarity and certainty as to how much of their crop will be purchased, and usually with an indication of the price that will be paid, if not a fixed price for the season.

Several issues have been raised by growers in relation to processing contracts across the horticulture and potatoes sector:

1. Pressure to sign – growers have reported their discomfort at being asked to sign long term processing contracts very close to harvest. Growers need contracts in sufficient time to allow them to make informed

businesses decisions about the viability of growing a specific crop before commitments to renting land and planting crops are made.

2. Price formulas – while the offer of a fixed price contract offers price certainty it is vital for any price formula to be transparent, open to scrutiny and encompassing of a mutually agreed set of criteria. Growers claim that certain price models incorporated into contracts are not sufficiently transparent, lag behind production costs and fail to offer a year round competitive price. In some instances, the option for a price review on a twice yearly basis would help to ensure that the price agreed remained competitive and sustainable for both parties.
3. Negotiation and communication – it is common for growers to negotiate directly with company executives on contractual and pricing issues. Yet growers have reported feeling dictated to in negotiations, with pricing decisions being made unilaterally by the processor. These requirements are not easy to find when most growers are accustomed to running successful single operations or sole trading businesses.
4. Growers would like to see better communication between supply groups and purchasers. For example, more structured grower representation at a national or local level brings growers together, facilitates information exchange, improves professionalism and generally gives growers a stronger negotiating position.
5. Payment transparency - Intermediaries can undoubtedly provide a useful role in the horticulture industry; however, growers report a lack of transparency in some relationships. In the worst examples, growers are not provided with any transparent breakdown of how the price they receive is calculated. In the potato packing sector specifically, growers have expressed concern at a lack of clarity or documentation to substantiate where wastage has occurred during processing and would like to see a clearer breakdown of the difference between the volume of potatoes supplied and the potatoes processed. In its [Bridging the Gap report](#) (annex 22), launched in 2017, the NFU called for packers and processors to provide full quality data corresponding to the payment as soon as possible after delivery, ideally within 24 hours of assessment, and to detail all defect information, even for the first proportion of crop which is part of the packers/ processors' accepted tolerance.
6. Charges - It is common practice in the retail sector for growers to be charged for promotional campaigns, customer complaints and 'margin agreements.' While all of these elements may be part of the terms and conditions of a supply contract, growers often feel pressured into agreeing to the terms for fear of losing business. It is critical that all terms and conditions are clear and unambiguous and that growers are given sufficient time to make informed business decisions about the viability of growing a specific crop before commitments to renting land and planting crops are made. Promotions should be planned jointly with growers and the costs of promotional activity to be factored into the initial price negotiations. Such an approach would assist growers and retailers in managing supply and demand fluctuations and reduce cost and wastage in the process. Retailers should provide total clarity on the quantity and nature of customer complaints along with evidence to demonstrate the grower was at fault. They should also publish their customer complaint policy for suppliers and consumers to see.

Dairy

All dairy farmers in the UK have a milk contract with their milk buyer. All these contracts currently require exclusive supply (farmers must sell all their milk to one milk buyer) and prices are set with buyers' discretion (with no genuine reasons given for change). These contracts by and large stem from a standard contract that was made between farmers and the Milk Marketing Board (MMB), when all farmers sold their milk to the MMB. They are unbalanced, unfair and farmers have little or no power in negotiating contract term change.

When the EU agreed the Dairy Package in 2012 which put in place minimum requirements for compulsory milk contracts under Article 148 of the Single CMO regulation, the UK Government opted for a voluntary approach in the UK. Hence the NFU, NFUS and DairyUK set about, over a period of 2 years, to agree a voluntary code of conduct on milk contracts, the "vCOP". This brought changes to some contracts, namely for farmers supplying Muller and Dairy Crest, but the majority of the 94 milk buyers in the UK ignored the requirements of the Code and did not seek to improve the terms within the contract they offered their suppliers. In periods of market downturn this meant that many milk buyers pushed all the market risk onto farmers by changing contract terms and pricing schedules at extremely short notice, or backdating price cuts and penalties. This negatively impacted on the milk buyers that were abiding by the terms of the voluntary code as they could not change contract terms at such short notice.

The NFU's belief is that the only option for milk contracts is a compulsory approach that ensures a minimum standard of contract for all dairy farmers. The terms of the contract that should be regulated in this way include:

- Exclusivity: farmers should have the option for a non-exclusive contract, especially if they wish to expand production whilst their milk buyer does not require more milk. If milk buyers set milk volume requirements within the contract this should automatically allow a farmer to sell any excess volume elsewhere, either through their farmer representative group or individually.
- Variation of contract terms.
- Variation of pricing schedules.
- Removal of basket pricing.
- Fair A and B pricing scheme.
- Balanced assignment terms.
- Clear TB notification process.
- Clear antibiotic testing procedure.
- Terms around force majeure.
- Termination periods.
- Farmer representation.

D) Labelling

Clear labelling and high standards of traceability in the supply chain are essential to protect the integrity of British production, consumer confidence in British, and help our farmers receive fair reward in the marketplace. Clear origin and standards labelling are not as prevalent in food service or public sector supply chains, where choice is often a step removed from the consumer.

More consideration is needed on the use of existing assurance schemes such as Red Tractor, which has proven highly successful in retail supply chains. We need to continue to develop and support these existing schemes, build on consumer recognition and their understanding of standards that underpin them.

Reinventing a new scheme or logo that would at least in part emulate the function of existing schemes would need to compete in a crowded market and offer something different and meaningful to the existing (and highly competitive) schemes and brand positions. It is estimated that it would cost in the region of £100million to build a new logo up from scratch and achieve the same recognition as Red Tractor, for example. Bord Bia (a comparable scheme) has just been granted a fund of €6.745m to spend on sporting the Irish farming industry on average Bord Bia, spends on average over €1million a year marketing [Origin Green](#)

Barriers to collaboration amongst farmers and the benefits of it

The NFU does not believe that any single factor alone restricts collaboration of farmers within England. There are good examples of horizontal and vertical collaboration in the farming and food sector but more needs to be done to signpost the potential benefits to individual farm businesses, and the various different forms that collaboration³¹ could take.

More targeted guidance and support is needed for producers to scope, establish and maintain collaborative initiatives and structures. Farmers need to be able to understand the benefit of collaboration to their own business.

Many farmers find the administration and lack of guidance and support a disincentive to accessing formal collaboration models e.g. producer organisation.

Collaboration can be both formal and informal and can take many forms including:

- Formal Producer Organisations e.g. Anglian pea growers and Berry Garden Growers
- Formal Co-operatives e.g. Arla and the midlands co-operative
- Collaborative Marketing
- Buying Groups e.g. Anglian farmers
- Machinery sharing on a local level

³¹ See comments in “Dealing with crisis situations” under the section “Risk Management and Resilience”

- Knowledge transfer sessions (horizontally and vertically) e.g. Tesco producer groups
- Benchmarking Groups e.g. AHDB farm bench and Arable business groups
- Contact farming agreements
- Supply chain aligned groups e.g. the Costa milk group

Collaboration should be considered both vertically and horizontally some of the most successful collaboration is where it involves other players in the supply chain. Collaboration provides producers with a good way of levelling power and fairness within the supply chain.

One example of where collaboration has worked well is Producer Organisation (PO) schemes where funding has been made available, for example for the horticulture sector 50:50 matched funding scheme which enables collaborative groups to invest in measures to improve productivity. The PO scheme in horticulture has delivered significant benefits to some sectors, but does little to achieve 'market fairness' across the wider supply chain. A PO system cannot be seen as a silver bullet solution, as growers operating inside and outside POs often supply the same retail customers and are all subject to the same challenges that presents. However, in future, the NFU wishes to see a UK-based and UK-focused scheme which retains the principles of a PO scheme, including exemption from competition laws and the ability access match funding.

Many of the solutions to productivity come with a huge level of capital investment which most growers would be unable to meet without loans/grants. The NFU wishes to retain the principles of a PO scheme – match funded investments that drive efficiency, competitiveness and productivity – but widen its scope so that individual businesses are able to benefit and access the same funds. To encourage collaboration, growers in co-operatives might be able to access higher levels of funding for shared investments, and taking away the bureaucracy and objectives of the existing EU PO scheme may drive up-take of collaboration in sectors where it has been low.

Whilst PO's have offered some benefits to some sectors, the NFU feels more tools are required to promote collaboration and in the future this should extend beyond POs. Producers advocate for the following principles for a future scheme which promotes collaboration:

- Simple to apply for
- Exception from competition law
- Open to individual businesses and co-operatives, PO and other collaborative structures
- Match funded investments (50:50)
- A bespoke approach to demonstrating improvements in performance from each grant application, that encompasses tangible (financial) and non-tangible benefits
- Inclusive of investments that present a productivity and environmental win-win

Successful collaboration is often centred on a group sharing a common goal (e.g. a need for a new technology, facility or to solve a specific problem). Annexes 23, 24 and 25 showcase examples of where this has been effective. Farmers will only part-take in collaboration if it is financially and practically beneficial for them to do so. Future support should consider this and ensure that it is helping to incentives these common objects and goals rather than purely the act of collaboration. The lack of trust within the UK food supply chain is often cited as one of the primary restrictions to making progress with both vertical and horizontal collaborating within the supply chain. Therefore collaboration cannot occur without a trusted and fair relationship, which can only result from an improvement in transparency and relationships across the entire food supply chain.

Devolution: maintaining cohesion and flexibility

The NFU works very closely with the farmer representative organisation in Scotland, Wales and Northern Ireland to deliver a united approach to the issues facing agriculture. The UK farming unions have agreed common approaches set out below and elements of these are reflected in the Defra consultation document. The NFU believes that determining agricultural policy should remain a devolved competency for each part of the UK. This should be balanced with ensuring minimal distortions to the UK internal market and avoiding advantaging or disadvantaging one part of the UK over another.

As has already been stated in this response, membership of the European Union's Common Agricultural Policy and the European acquis has meant that policies and regulations applying to the UK's farm businesses have been common across the UK's land area. While devolution has enabled some flexibility to adapt policy implementation to local needs within parts of the UK, this has been within limits defined at a European level, providing predictability for business operation – a situation which pertains across all other European member states and regions.

As the consultation acknowledges with Brexit this settled position comes into question: devolution of agricultural and environmental policy-making and other business-critical aspects of policy to the constituent parts of the UK, creates a risk that established UK-wide approaches will be replaced by different approaches within the UK economic area. Such differences will matter most to those 575³² farm businesses working across UK's internal borders who may have to follow two different regulatory standards, but it also matters to every farm and food business that depends on trade within the UK single market that set different standards for production method or product standard could act as barriers to trade.

The UK Farming Unions (NFU, NFU Cymru, NFU Scotland and Ulster Farmers Union) meet regularly to ensure that farms in all parts of the UK have a common voice in Europe and the UK. The Brexit referendum has strengthened the UK Farming Unions resolve that this remains a priority. With this in mind the UK Presidents have agreed the following principles that should guide policy development and implementation following the UK leaving the European Union:

- The current devolution settlement of policy and regulation to the constituent parts of the United Kingdom should be respected and maintained.
- The UK's various governments, parliaments and regulators should take every step to retain and protect a single market access for food, agricultural commodities, live animals and plant and plant products throughout the UK.
- In developing distinct agricultural policies to replace the Common Agricultural Policy, Farming Ministers across the UK should ensure that potential differences in application of agricultural policy should not adversely impact on trade within the UK.
- Farming Ministers across the UK and agricultural departments should establish and maintain regular, formal and cooperative arrangements to manage policy, legislation and delivery of regulation across the UK economic area. A guiding principle should be that no single country determines or curtail UK policy in the rest of the UK.
- No part of the UK should be able to act, or avoid action, that threatens to curtail access for other parts of the UK to third country markets, or that question the UK's adherence to its international agreements.
- We welcome the government's commitment to provide the same cash total in funds for farm support as is currently paid out under the CAP. In the longer term, with the development of a new domestic agricultural policy, at least the same level of public investment in agriculture should be retained.

³² 575 BPS claimants of which RPA pay 244 cross border claims and the devolved pay 331



Given these principles, the UK Farming Unions welcome the Joint Ministerial Committee's initiative to identify the principles and those areas of policy that are best agreed at a UK level. We strongly agree with these principles outlined on pages 59 and 60 of the consultation paper and as important, we urge that the UK governments continue to work collaboratively to develop shared understanding of how policy affecting farming is devised and delivered.

For its part the NFU has undertaken an exercise to identify of the EU legislative areas being brought back to the UK with Brexit and which areas have the clearest need for a common approach. Our results are presented in annex 26. The document sets out for each of the policy areas identified by the government in its [provisional assessment](#)³³ what the NFU would like in terms of legal frameworks. These may take the form of identical regimes across all administrations (as much as practically possible); frameworks only (legislative or non-legislative) – meaning there's a common structure but some flexibility at devolved level; and full devolution of that policy area. Alongside this analysis, the table sets out where the government currently believes the powers from the EU will flow – from full devolution through to being reserved entirely to Westminster – according to the current devolution agreements.

Areas of agriculture and land management policy where a common approach across the UK is necessary

NFU analysis suggests that Ministers, governments and regulators need to maintain and develop common frameworks across a broad range of policy activity. Those we assess needing the highest priority for an agreed approach across the UK include:

- Air quality emissions
- Biotechnology deployment
- Organic farming
- Animal health – movement of animals and control of disease
- Plant protection products – maximum residues, marketing, use and licensing
- Minimum standards on specific commodities
- Food labelling - consumer food labels
- Import and movement of plants, pest outbreaks, plant variety rights

Likely impacts on cross-border farms if each administration can tailor its own agriculture and land management policy

In addition while agreeing with the government that agricultural support arrangements should be substantially devolved, we are concerned that the potential for very different approaches across the UK may undermine the UK single market. We would therefore expect that common agreed frameworks are necessary. Not only will this be important for those 575 cross-border farms in the UK, but also for all farm businesses wherever they farm. In this context we would also urge that the UK's regulators also seek to harmonise their implementation of common UK regimes. This should also apply in respect to regimes where policy is devolved, for example to ensure that best regulatory practice in one part of the UK is applied as widely as possible.

³³ <https://www.gov.uk/government/news/uk-government-publishes-analysis-on-returning-eu-powers>



International trade

The NFU wants to see an outcome on international trade that supports our farmers to grow their businesses and to grow food for Britain and beyond. To do so, we need government to take a bold but composed approach to forthcoming trade negotiations with both the EU and non-EU countries; one that ensures British farmers can continue to produce food to the current high standards of which they are proud; that ensures they do so on a level- playing field with producers elsewhere in the world; and that maintains access to current markets for domestic produce, while growing demand at home and abroad.

The NFU is concerned about the tension in wider public debate between a desire for a high-performing domestic farming sector, producing to high welfare and environmental standards within a high-cost regulatory environment, and an expectation that leaving the EU will lead to cheaper food through a trade policy that opens up domestic markets to foreign imports. This tension is reflected in the consultation paper. As we will continue to compete with farmers around the world who, by and large, receive financial public support, the UK Government will need to be clear how its policy aims on domestic production standards can be squared with its international trade policy. It is imperative that UK farmers are not undercut by imports produced to lower standards than those imposed on UK farmers by the government.

We have outlined our detailed asks in terms of trade policy in annex 27 and as reported in our vision document [A new outlook on international trade](#).

The NFU shares the government's view that our future relationship with the EU27 is of "vital importance". The UK government should, as a priority, seek to establish an ambitious trade relationship with the EU that maintains two-way tariff-free trade in agricultural goods between the UK and the EU, and avoids costly and disruptive customs checks.

Looking at the wider trade context, we agree with government's aim of maximising UK's trade opportunities globally, both looking at the EU, existing third partners and new allies. However, expanding our network of trade relations presents both opportunities and threats to our domestic production. We urge the government to ensure that the new trading conditions take account for differences in regulations and standards to ensure that UK farmers are not put at a competitive disadvantage to producers elsewhere in the world who are subject to different standards.

We support the government's intention to help UK farmers "grow more, sell more and export more great British food". However, given the uncertain geo-political, economic and regulatory environment, only once the terms of the UK's future trading relations with the EU and other existing preferential trading partners are clear should the UK begin to engage in formal trade negotiations with third countries. Also, it is crucial that the government ensures an adequate level of protection (e.g. through the use of Tariff Rate Quotas) for UK sensitive sectors when trade agreements are negotiated.

The NFU is supportive of international trade and sees the benefits of a consistent trade policy in line with the objectives of our domestic agricultural policy, regulatory environment and production standards. The UK Government should establish cooperation with third countries on regulatory equivalence and ensure that all new trade agreements account for differences in regulations and standards when market access is negotiated. Also, the government must continue to value our high production standards and ensure UK farmers are not put at a competitive disadvantage to overseas producers subject to different standards.

The UK government should seek to secure the benefits for UK traders of existing EU preferential trade agreements, as well as of any preferential access for UK agri-food exports, at least until government can replace them with acceptable alternative arrangements. In practice this will be challenging, as unless the negotiated preferences are replicated in the UK and for the UK, any change is likely to open the door for negotiation. We are particularly concerned about the protection of our sensitive sectors and therefore how full liberalisation and TRQs are going to be "inherited". With the outcome of those negotiations having a significant potential impact on the UK agricultural sector the government should conduct impact assessments before deals being concluded.

With regards to the EU unilateral trade preference schemes, we support the government in the creation of trade preferences schemes which will provide the same level of access as the current EU trade preference scheme.

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This is particularly impacting the sugar sector as we understand that a large amount of UK sugar imports come in under either 'Everything But Arms (EBA) arrangements with Least Developed Countries (LDCs) or Economic Partnership Agreements (EPA) deals with other Africa, Caribbean and the Pacific (ACP) countries, neither of which are limited by a TRQ. In the example of sugar, replicating the value of the preferences would mean not just maintaining tariff-free, quota-free access to the UK, but also ensuring these arrangements remain preferential to the arrangements offered to other countries. A trade preference would be meaningless if all countries were able to access the market on those terms.

We expect the UK to establish itself as an independent member of WTO on leaving the EU, providing continuity and predictability by adopting the EU's current schedule of Most Favoured Nation bound tariff rates. We understand that the government intends to apportion a share of the EU TRQs based on how they are currently used. We believe that it represents a defensible position at the negotiating table. Our priority is to ensure that any negotiated outcome does not unfairly disadvantage UK producers. Devising TRQs to take account of the seasonal nature of some home-produced commodities should also feature in these negotiations. Moreover, we support the government's intention to take the Aggregate Measurement of Support (AMS) share the UK accounted for when the EU's limit was set. A positive outcome on this negotiation is crucial for the UK to ensure flexibility in the design of our future domestic agricultural policy.

Finally, one of the government's stated aims in the consultation document is to adopt a trade approach which lowers prices for consumers but maintains high standards. UK farmers need assurance from not only Defra but also the Department for International Trade (DIT) that the future UK trade policy will be consistent with the new domestic agricultural policy and the government's aim to maintain and promote our high production standards.

Government and industry working together to open up new markets

The NFU believes that a formal structure for stakeholder engagement must be created and implemented to ensure that government consults with interested parties and gets the right level of advice and feedback on trade-related matters from affected industries

We also believe that it is critical that exporters receive support from the government in terms of export promotion, market intelligence and research of overseas markets and consumers. For instance, in order to facilitate access new markets and increase our market shares abroad, the government should provide funds for investments in marketing and promotion materials used at international shows, exhibitions and diplomatic visits. There is also a need for a more efficient export certification system.

In order to exploit the full potential of market access the government should invest time and resources into commercial diplomacy to promote British standards and high quality products abroad. For instance, diplomatic visits should be organised, both to third countries and to the UK, to build confidence in our production standards. Equally, we believe it would benefit the agri-food sector in the long term to have a permanent presence in UK embassies dedicated to the promotion of British food and acquiring market share.

Protecting and promoting our brand

We share the government's ambition to maintain our high standards and we believe we should utilise these when marketing our products on a world platform. The NFU supports Defra's Great British Food campaign because it represents a great way to showcase British farming and farmers and not just for the food they produce, but also the value the British farming industry adds to the economy, employment and our countryside.

The NFU wishes to see a common industry led standard, used across the supply chain which does not add burden or duplication to producers. This standard should be market-led and represent the needs of the whole supply chain. We believe that Red Tractor meets this need and presents an opportunity to market these standards on a global platform. Red Tractor is an established brand which provides robust standards across the supply chain on environmental protection, food safety, and standards of production and animal welfare. These standards are widely recognised across the domestic supply chain.

Government support will also be required to protect existing equivalence standards that the UK has with third countries via the EU. For example existing equivalence agreements between the EU and third countries are vital to the success of the UK organic sector. In 2017, HM Revenue and Customs figures showed that England exported 14% more goods than the previous year, and Wales 15.9%. As the UK export £188 million worth of organic product, it must continue to have ability to export to growing markets.

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Legislation: the Agriculture Bill

We look forward to the publication of the Agriculture Bill in the coming months, which will provide a legal framework for delivering key aspects of agricultural reform. It is important that legislation clearly sets out the objects of agricultural policy – including the need to support an efficient, productive UK farming sector that makes a significant contribution to the nation’s food needs and in doing so ensures proper remuneration and living conditions for farmers and workers in agriculture along with an adequate return on capital invested in the industry.

The Agriculture Bill should establish a budgetary framework that provides certainty for farmers and allows them to plan and invest for the future. Budgetary cycles should be independent of the Parliamentary cycle to reflect the need for long term planning and investment in agricultural production cycles and to avoid the agricultural budget becoming politicised.

Furthermore the Bill should include policy safeguards, such as a requirement to consult the industry on substantive changes to the support system, for instance relating to the regulatory landscape and baseline upon which support measures are built, inspection and enforcement mechanisms, appropriate sanction regimes and an effective independent appeals system.

Exercise of government powers granted by the Bill by way of secondary legislation should be limited, and those powers subject to adequate scrutiny, for instance by way of impact assessments. Should the Agriculture Bill contain a significant number of so-called Henry VIII powers, sufficient safeguards on the exercise of those powers (such as clear parameters on when powers can be used, limitation on use, and obligations to consult) should be set out.

Government should ensure that the market measures contained in the single CMO (EC regulation 1308/2013) as amended should be available to UK farmers. Whilst we acknowledge the government may be reluctant to exercise these powers, the NFU believes that to manage severe crises in the markets and in extreme events, there should be powers to regulate the agricultural supply chain, including the power to regulate prices and production, to buy and store produce, and to regulate the terms and conditions on which agricultural products are bought and sold.

Central to the Agriculture bill should be a clear set out objectives for the government’s agricultural policy. This document is not the place for an in-depth discussion about what those objectives should be, but we would encourage the government to review the current objectives of the CAP (as set out in the EU treaties), and in particular to acknowledge that a central plank of the UK agricultural policy should be the production of safe, affordable food.

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