**Written submission to the Environment, Food and Rural Affairs Committee of the House of Commons on the Agriculture Bill by the Farmer-Scientist Network of the Yorkshire Agricultural Society**

**Preface**

The Yorkshire Agricultural Society's 'YAS Brexit Working Party' was established in 2015 following concerns as to the impact of Britain's exit from the EU (Brexit) on UK Agriculture highlighted by their technical network, the Farmer-Scientist Network. The YAS Brexit Working Party brings together farmers within Yorkshire and academics across the UK who have specialist knowledge and expertise within agriculture, law and world trade.

Led by Prof Wyn Grant, University of Warwick, and member of the YAS Farmer-Scientist Network, the YAS Working Party published the report 'The Implications of 'Brexit for UK Agriculture' in February 2016 during the lead up to the referendum vote on continued British membership of the EU. The purpose was not to recommend how anyone should vote in the referendum; rather, in order that, those involved in agriculture might be better informed about the consequences for them of a British exit, the report identified issues that needed to be clarified in the referendum debate.

The working party also submitted a detailed response to the Defra Consultation on 'Health and Harmony: the future for food, farming and the environment in a Green Brexit'. This is available at: http://farmerscientistnetwork.co.uk/wp-content/uploads/2018/05/yas-brexit-working-party_health-and-harmony-consultation-response_final.pdf

**Preamble**

The following points of qualification need to be borne in mind in relation to the Agriculture Bill:

1. We do not know what the total budget for agriculture in England will be when the Bill is translated into law and this will have a considerable effect on the implementation of the available policy options. Despite the announcement of the end of the age of austerity, there is considerable competition for available public funds.
2. This is enabling legislation; so much will depend on what happens subsequently.
3. Many of the policy options in relation to public goods will use measures of which there is little or no practical experience and it is recognised that pilot schemes will be required before full implementation. A farmer member commented, 'Valuing these is going to be a difficult task – one recent example has been electricity pylons – current network payments to farmers have been highlighted as grossly inadequate (by up to 20 times), yet the network needs to travel through farms and fields. How much is a skylark worth? Carbon sequestration? Others are clearer like flood water storage.'
4. There are a number of important outstanding issues in terms of the future relationship between the Westminster government and the devolved administrations on agricultural policy. The Scottish Government has stated that it intends to continue some form of Basic Payment: whether it will have the funds to do so remains to be seen. There would seem to be considerable potential for devolved administrations to shape their own agricultural policy, but at the same time the UK Government is showing strong signs of wishing to retain substantial control over WTO matters, with the result that the devolved administrations may

find their sphere of action somewhat limited. A farmer member commented, 'The so-called level playing field is looking more like the Dales than the Fens.'

**Financial support (Part 1 of the Bill)**

As earlier indicated, this Part of the Bill seems to accord the Secretary of State very great discretion: for example, under section 1(1) it is provided that the Secretary of State *may* give financial assistance, with no apparent duty to do so. The YAS would be looking for an ongoing commitment to provide support (rather than just a power)

The Government does intend to support innovation to improve productivity and to improve investment in farming equipment, technology and infrastructure. Agriculture is on the verge of a digital revolution: some of this is, of course, in place already such as the use of data from near earth satellites or drones and experiments in self driving planting and harvesting equipment.

A farmer member commented, 'Yes, however, there are challenges with farmers getting to grips with the very many and varied types of tech, as my latest tractor testifies, I am generally mystified by the number of possibilities and so find myself being overwhelmed. Tech needs to be simple and intuitive. It's also expensive.'

Another farmer member emphasised the importance of grants and funding for agricultural technology and innovation on a platform that makes it potentially viable for farm businesses of any size, and adds value on farm. Such an approach would mark the UK producer as a world leader in innovative efficient and effective production with globally leading production and welfare standards.

The absence of measures on risk management is a potential lacuna in that these are implemented in several other countries and are potentially WTO-compatible. Could we perhaps therefore suggest that they be included?

We particularly welcome measures to facilitate collaboration and pioneer the use of more innovative and efficient farming techniques, an area in which the YAS has already been working in collaboration with Defra through the European Innovation Partnership:
http://farmerscientistnetwork.co.uk/crop-health-north/

**Basic Payment (Part 2 of the Bill)**

Given that most farms the Basic Payment represents the difference between profit and loss, we have consistently argued that any phase out should take place over a number of years to allow farm businesses sufficient time to adjust. We therefore welcome a seven year phase out period. We also welcome the opportunity for farmers to take a lump sum payment which they could use to invest in the business or exit it altogether.

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A farmer member noted, 'The current £3.2 billion represents good value when you consider the whole of what it supports. I've often suggested that others in the food chain and many other businesses benefit from farming activity without directly supporting it.'

Payments will be available 'regardless whether the recipient continues to farm or not', offering farmers a golden handshake. This may encourage older farmers to retire. However, this may have inheritance tax implications. There are also concerns in the industry about what will happen if too many farmers retire too quickly. Who will succeed them?

Succession issues are always complicated and data on the average age of farmers may not reflect the decision-making situation on a particular farm, e.g., a successor may be taking an increasing role in running the business. Whilst there is extensive advice available on succession planning from a variety of sources, the research base seems to be more limited.

If, say, thirty per cent of farmers choose to retire, that could be beneficial if the land given up was taken up by the remaining farmers who would be the enthusiastic, motivated, top quality farmers. Finance for their expansion would be a problem, but the land could be much cheaper to rent or contract/share farm and inputs of sprays, fertilisers and machinery would potentially be cheaper, due to the change in the supply and demand equations. Getting through the change would be a huge challenge, but if managed successfully, the outcome could well be that these new farms would be profitable without subsidies.

It should be noted, however, that there are many factors that affect land prices, including the tax regime and the recreational value of particular farms for country sports.

There will be a quicker phase out of support payments for larger farms and there is no doubt that this attracts popular support. However, it is important for British agriculture to remain internationally competitive. Competitor farms in, for example, France will continue to receive CAP support, albeit at a somewhat reduced rate.

Our view is this is a really important point in that there is scope for English farmers to operate at a significant financial, and even structural, disadvantage. For example, the European Commission recently stated that 'direct payments remain an essential part of the CAP in line with its EU Treaty obligations': *The Future of Food and Farming*, COM (2017) 713, p.14.

It is also too often assumed that larger scale enterprises are not interested in environmental protection or conservation when the opposite is often the case.

Hill and remote farms may well be better placed to attract public goods payments, and such payments could be very important for their survival, but may find the process of obtaining them a challenge. Many hill farms are among the most marginal enterprises. If they went out of business there would be damaging impacts in terms of landscape and rural depopulation.

**Compliance and enforcement regime**

This is supposed to be more streamlined and focused with reduced duplication and more 'earned recognition'. A farmer member commented, 'This has been promised before, but as of yet the opposite happens – a practical approach to this which looks to help and assist farms in just doing a better job, rather than using the big stick to undermine them. Our assurance schemes have done a great deal to but us ahead of the game, but much criticised in that the farm doesn't see a benefit**.'**

**Public goods**

A farmer member emphasised, 'This needs to encompass as broad a number of options as is feasible and be accessible to all in a simple one stop way. Valuing these has been mentioned before and the question is still there – is traceable, home produced food security part of this?'

For an interesting discussion of what qualifies as a public good (and the contested status in this context of national food security), see A. Burrell, 'Evaluating policies for delivering agri-environmental public goods', in OECD, *Evaluation of Agri-environmental Policies: Selected Methodological Issues and Case Studies*, OECD, Paris, 2012, p. 49.

A focus on public money for public goods should put those managing peatlands in a strong position for future funding, given their strong contribution to a wide range of public goods that are highly valued by society. However, the design and implementation of post-Brexit policy across the UK will need to be sensitive to the current dependence of much peatland management (in the uplands) on Direct Payments. There are major uncertainties associated with the sorts of rapid and large-scale changes in management that these systems may experience in response to new payment regimes. For example, in blanket bog habitats currently managed for sheep and game, it is not known how protected plant and animal communities would respond to the withdrawal of active management in a changing climate.

For these reasons, the IUCN UK Peatland Programme have called for long-term commitments to be made to funding the sustainable management and restoration of peatlands, including the replacement of LIFE funding, to give land managers the confidence they need to pursue long-term strategies that deliver public goods. England's Agriculture Bill makes no specific provision for the retention of direct payments to secure long-term public goods from peatlands. Scotland hosts the majority of the UK's peat resource and has pioneered policies to restore and sustainably manage this resource, and so may choose to take a different path.

It should be noted that the Yorkshire Integrated Catchment Solution Programme (iCASP) is currently conducting an evidence review to gain insights into how different on farm activities can deliver soil health public goods benefits and their associated effects on flood mitigation and water quality. (See: https://icasp.org.uk/projects/public-goods-soil-health/).

**Supply chain (Part 3, Part 6)**

If farmers are to operate in a market environment, and markets are to be made to work, it has to be one in which there is a level playing field. Over the years power has moved up the supply chain to processors and especially to retailers. For example, the removal of the statutory milk marketing boards changed the balance of power in dairying. The intense competition between retailers on price helps to keep food prices down, especially for less well-off families for whom food is a larger part of their total expenditure.

This has perhaps led successive governments to pay less attention to the effect of reduced margins on farmers and growers. The Groceries Code Adjudicator has had insufficient powers. Efforts to strengthen transparency in the food chain are therefore to be welcomed, but the question is whether they go far enough.

The government plans to publish, maintain and enforce statutory codes of practice and provide for mandatory contract terms between farmers and suppliers. The devil here is in the detail as while we have had indications of what these provisions might contain, the precise wording is important.

A farmer member commented, 'The retail value of the produce which the raw materials from my 500 acres of arable produces is well in excess of £25M – my profits are a very small part of this, yet I underpin the supply chain.'

Another farmer member commented, 'Supply chains must take a long term view on sustainable trading relationships, rather than the short term view which serves their purpose currently when faced with a barrage of pricing negotiations and tenders that have such a profound negative effect.'

**Powers to intervene in agricultural markets (Part 4)**

This gives government powers to intervene in terms of extreme market disturbance and could take the form of loans, guarantees or other payments. These residual powers are necessary in the event of an unforeseen event that posed a threat to food security but would only be exercised in exceptional circumstances.

The emphasis in the Agriculture Bill is on exceptional ***market*** conditions, with extreme weather events and animal disease not considered sufficient in themselves to trigger a declaration according to the Explanatory Notes, para 171: could the Bill be amended so as to include them?

Policy is being developed now for implementation in the years 2021-27 and beyond, yet the real impact on our food supply and the environment and landscape in which it is produced is beyond this period. If we get it wrong now we will face some difficult choices in the decades to come. Just take the potential impact of migration as a result of climate change – desertification/ sea level rises/ crop failure. Global issues of this kind, combined with population growth means maintaining and improving our home supply of food has to be a key policy consideration.

**Trade rules (Part 7)**

Part 7 deals with compliance with WTO rules and financial limits on farming subsidies in all four parts of the UK. In the longer run, trade agreements with third countries such as the United States, New Zealand and Australia will have more profound impact on agricultural activity in the UK than any changes to support systems.

The WTO Agriculture Agreement's rules focus on agricultural production. This means that all its rules are drafted so as to regulate 'agricultural producers'. Precisely what constitutes an 'agricultural producer' has not been the subject of litigation, but the working assumption is that the Agriculture Agreement applies to farmers and not to land managers per se, who may indeed have other responsibilities and may not undertake any production on the land they are managing.

The big change in the Agriculture Bill is that there is a sense that any subsidy will not necessarily be tied to being an agricultural product at all. Once that link is severed, then legally, the WTO Agriculture Agreement ceases to apply to those payments and and other WTO Agreements will apply instead. Those agreements (like the WTO Subsidies Agreement) are not as forgiving about the possibility of funding public goods.

At the moment, only an ‘active farmer’ is eligible to receive a Direct Payment under the EU rules. (Article 9 Regulation 1307/2013 as amended by The Omnibus Regulation). This very much ties the payment to agricultural production, and so is not an issue for which WTO agreement to apply to the subsidy - it’s the Agriculture Agreement. To the extent that the UK government’s support scheme is linked to agricultural producers, rather than land managers, then it is possible for the payment to fall within the Green Box, provided that the payments satisfy the rules in Annex 2 of the Agriculture Agreement. There are no limits on the payment of Green Box subsidies at the current time.

Professor Wyn Grant

On behalf of the Farmer-Scientist Network of the YAS