

COUNTRYSIDE ALLIANCE BRIEFING NOTE

AGRICULTURAL POLICY

House of Commons

Agriculture Bill – Second Reading

Wednesday 10 October



The Voice of the Countryside

Background:

- A new agricultural policy is one of the three central challenges facing the food and farming industry as we leave the EU, along with new trading arrangements, and access to labour. Establishing a new system of support to replace the EU's Common Agricultural Policy (CAP) is essential for securing the long term future of farming as well as sustaining the landscapes and communities of many rural areas.
- The food and farming industry is nationally important, generating over £108 billion a year for the UK economy and underpinning our food security. It is particularly important for our most rural areas where farming is often central to the economic and social life of the community as well as playing a vital role in conservation. The establishment of the first British agricultural policy in over 40 years is therefore hugely important, not just to farmers but to the future of the countryside and the nation as a whole.
- As well as support payments helping to keep livestock on the hills, they also help to keep the local school open and provide employment in the wider rural economy from shops and garages to hotels and pubs. The importance of support payments to rural communities needs to be recognised when developing a new agricultural policy as without this support many of the most rural communities face the prospect of becoming unsustainable.
- Whilst support payments under the CAP have been vital to many farm businesses, there is no doubt that many of its policies have been unpopular and have incentivised unsustainable farming practices. Leaving the EU creates an opportunity for the UK to create our own farming policy for the first time in more than 40 years and develop a system of support that is appropriate for farming in the UK and reflects public interest.
- The conservation work of farmers is often supported by other forms of traditional land management, such as shooting, and it is vital that the Government develops a co-ordinated policy that allows different types of management to thrive and work together. Farming is the cornerstone for many of the activities enjoyed by people in rural areas, and many farmers benefit from the economic and social role which activities such as shooting contribute to the life of the farm. A new agricultural policy must recognise the close relationship between farming and country sports by continuing to permit activities such as fishing, game shooting, deer stalking, and drag or trail hunting, on land which receives payments under a new system of support.
- Leaving the EU provides the opportunities to establish an agricultural policy that is better suited to the regions and nations of the UK than the CAP, and to simplify the current system of support payments and grants. However, this process will involve significant change as the Government has confirmed that it will move away from direct income

support in favour of payments for certain types of environmental outcomes and/or the productivity of farm businesses.

- How the Government chooses to structure a new agricultural policy will determine the landscape of our countryside, the food we eat, and the nature of many rural communities for a generation and beyond.

Agriculture Bill:

1. Financial support

- The Bill sets out powers in Part 1 for the Secretary of State to provide financial assistance under a new agricultural policy outside the EU. The powers would allow the Secretary of State to direct public money towards providing environmental outcomes and/or starting or improving the productivity of an agricultural, horticultural or forestry business.
- This is a significant departure from the current EU model of funding where food production receives financial assistance from the public purse through a system of area-based payments, also known as direct income support, under the EU's Basic Payment Scheme.
- Under the powers set out in the Bill, the Secretary of State will only be able to provide financial assistance for providing environment outcomes and/or starting or improving the productivity of a business. There is no indication in the Bill, or accompanying Explanatory Notes, as to whether these objectives have parity or whether one will receive more public money than the other under a new agricultural policy. Providing financial support for food production has been excluded in the powers set out in Part 1 and could only be included by this or future governments by amending the primary legislation.

Countryside Alliance position

- Our new agricultural policy must start with the objective of securing a productive and competitive farming industry by looking at ways of supporting farmers in their task of producing food. The environmental outcomes that the Government wants to reward in a new system of support payments such as improved air quality, climate change mitigation, and improving the health or welfare of livestock, are sound objectives but they cannot be achieved without working with farmers to deliver them.
- Unless we recognise the dual role of farmers as food producers and conservationists then we risk turning farmers into environmental contractors with little incentive to continue farming, which would be damaging to the jobs and communities that depend on farming as well as weakening our food security.
- We welcome the powers contained in the Bill to provide financial assistance to improve the productivity of farming alongside support for environmental outcomes. Some types of farming will always struggle to be productive and we are concerned that this has not been reflected in the Government's thinking or in the powers contained in the Bill. Alongside powers to support productivity, we believe that the Secretary of State should have powers to support the competitiveness and financial resilience of farm businesses. We agree with the NFU that the best way to achieve this would be to replicate in Part 1 of the Bill, the powers set out for Ministers in Wales in Schedule 3, 1 (2)(c) which would enable the Secretary of State to provide financial assistance to "persons who are involved in the production, processing, marketing or distribution or products deriving from an agricultural, horticultural or forestry activity".

- Farmers in the uplands and other marginal areas are limited to low intensity grazing which has small profit margins and is often more exposed to market volatility than other sectors of the industry. Without direct income support, many hill farmers would struggle to make a profit even with financial assistance for providing environmental outcomes and/or starting or improving productivity. Their work, however, often provides the most amount of public good in creating and maintaining some of our most iconic rural landscapes which support many of our rarest habitats and wildlife and are central to rural tourism and leisure for millions of people. Despite a separate section in the Government’s Health and Harmony consultation on “supporting rural communities and remote farming” there are no references in the Bill to hill farming or upland landscapes. Financial assistance could be provided under Part 1, 1(1)(c) for “restoring or enhancing cultural heritage or natural heritage”, but this is too vague and there should be a specific power to support upland landscapes and communities.
- It is vital that the Bill sets out powers for the Secretary of State to be able to provide as wide a range of financial support to farmers as possible under a new agricultural policy to ensure this, and future governments, can help to secure a thriving farming industry.

2. Transition/ Devolution

- The Bill proposes that transition to a new agricultural policy will begin in 2021. After this date, the Bill proposes a 7 year transition period with a gradual reduction in area-based payments during that time with larger recipients of payments under the Basic Payment Scheme having funding reduced at a faster rate.
- The Bill gives the Secretary of State power to vary the length of the transition period more than once. Varying the transition period can be made by secondary legislation, subject to negative procedure, but does not impose any statutory requirement to consult with industry leaders or Ministers in the Devolved Administrations.
- The Bill sets out similar powers for Ministers in Wales, and also contains powers to implement a transition period in Northern Ireland. There is no Schedule relating to Scotland in the Bill, which we understand was at the request of the Scottish Government. While transition arrangements for Scotland are yet to be published, we note the Report by the Scottish Government’s Agriculture Champions in May 2018 which stated, “there must be a transition period of no more than 3-5 years”.
- The Bill makes no reference to how a new agricultural policy will be funded and whether current levels of funding will be maintained after 2021 once the transition period begins. There is also no reference as to whether the Government intends to establish a UK agriculture budget with ring-fenced grants for the Devolved Administrations to fund agricultural policies in Wales, Scotland, and Northern Ireland, or whether funding will be added to existing grants and Barnett consequentials.

Countryside Alliance position

- A new agricultural policy should be appropriate for farming in the different regions and nations of the UK which will require the Devolved Administrations to have greater flexibility in implementing agricultural policy. However, there will also need to be a UK framework for agriculture to ensure fair competition between all parts of the UK, and to respect international obligations.

- We are concerned that the Bill could result in agricultural transition happening at different speeds across the four nations of the UK. This could create difficulties for cross-border farming as well as challenges to the fairness of the UK's internal market.
- The transition from the CAP to a new agricultural policy must not be used as an opportunity to reduce the amount of financial assistance to farmers, even if this is redirected away from area-based payments towards supporting environmental outcomes and/or starting or improving productivity. This will be politically difficult with competition for public funding from other government departments. We urge the UK Government and Devolved Administrations to maintain existing funding levels in new agricultural policies in recognition of the importance of farming to rural communities and the nation as a whole.

3. Rural development

- The Bill is primarily focused on replacing the Basic Payment Scheme under Pillar 1 of the CAP. The new financial assistance powers set out in Part 1 of the Bill are currently limited to supporting environmental outcomes and/or starting or improving productivity. There are no new powers to support rural development which has received financial support under Pillar 2 of the CAP for increasing the competitiveness of agriculture, development of rural economies and communities, and the creation and maintenance of employment.
- Part 2, Chapter 2, of the Bill gives the Secretary of State powers to amend retained EU law in respect of rural development schemes under Pillar 2 of the CAP. Any changes to retained schemes could be made by secondary legislation, subject to negative procedure. However, the Bill does not give the Secretary of State powers to initiate new rural development schemes.
- The EU's Regional Development Fund (ERDF), under Pillar 2 of the CAP, has helped to provide financial assistance for rural development programmes across the country. A number of broadband delivery programmes have benefitted from EU funding, including the Superfast Cornwall programme which received over £53 million from the ERDF between 2011- 2015. Many farmers have benefitted from investment under the ERDF which co-finances programmes with Member States.
- The powers being given to Ministers in Wales, set out in Schedule 3 of the Bill, include the ability to provide financial assistance for "supporting business or community in rural areas". This power is not currently available to the Secretary of State in the powers listed in Part 1 which apply to England. The Farming Minister, George Eustice MP, told a fringe meeting at Conservative Party Conference earlier this month that funds will be made available to support rural development programmes from the Shared Prosperity Fund, and powers will be set out in a separate legislation.

Countryside Alliance position

- It is essential that all the powers and funding currently available under the CAP are replaced as we leave the EU. While the Farming Minister has stated it is the Government's intention to address rural development in separate legislation, we believe the powers should be included in this Bill. One of the opportunities of leaving the EU is to simplify the current system of EU payments and grants available for farming, forestry, and rural development. The Government should include powers to support rural development in the Bill, particularly for digital infrastructure and skills training, so that when policy is designed and implemented all options for support can be considered.

- We welcome powers in the Bill to modify existing rural development schemes and hope the Government will provide more information on how they intend to use these powers to simplify and improve existing schemes. Alongside these powers, we believe the Secretary of State should have powers to implement new rural development programmes. We believe the best way to achieve this would be to replicate in Part 1 of the Bill, the powers set out for Ministers in Wales in Schedule 3, 1 (2)(a) which would enable the Secretary of State to provide financial assistance for the purpose of “supporting businesses or communities in rural areas”.
- Digital connectivity is essential for farm businesses and yet many farmers still lack access to high speed broadband. This is a cause of great frustration, particularly in 2015 when the Rural Payments Agency attempted to move all applications for support payments online, despite knowing many farmers would struggle on account of lacking the digital infrastructure and/or skills to be able to complete the application form online.
- The Government should include options for improving digital infrastructure and skills as part of the new package of financial assistance, similar to the schemes funded by the ERDF. This must be integrated with existing work being done to improve connectivity by Westminster and the Devolved Administrations. On a practical note, the Government must also ensure that applications under a new agricultural policy are able to be made by post as well as online for as long as universal connectivity is lacking.

4. Exceptional market conditions

- Part 4 of the Bill gives the Secretary of State powers to make and publish a declaration in the case of “exceptional market circumstances” which would enable the Secretary of State to “provide financial assistance to agricultural producers in England whose incomes are being, or are likely to be, adversely affected by the exceptional market conditions described in the declaration”. Similar powers are included in Schedule 3 as part of the powers being given to Ministers in Wales.
- The Bill requires the Secretary of State to lay any declaration before Parliament, but it does not require parliamentary consent. The powers may be exercised for a period of up to 3 months but can be extended once for another 3 month period. No statutory consultation is required.
- These powers appear to be separate to the powers contained in Part 1 of the Bill and are therefore not limited to payments for providing environmental outcomes and/or starting or improving productivity. This leaves the door open to providing direct income support for a limited time in exceptional circumstances.

Countryside Alliance position

- We welcome recognition of the volatility in the agricultural sector. The powers set out in Part 4 of the Bill will be particularly important for livestock farmers who often experience the most severe fluctuations in farmgate prices.
- While the Bill sets out powers for the Secretary of State to provide additional financial assistance in “exceptional circumstances” there is no certainty about if and when these powers would be used. It also creates the possibility of financial assistance being provided to farmers in one part of the UK but not others on account of differing interpretations of “exceptional circumstances” between Westminster and the Devolved Administrations. More information should be provided about when these powers might be used and the type of support that would be made available.

- The effectiveness of these powers will be determined by how much financial support the Treasury is prepared to provide if and when these powers are exercised. There is no information in the Bill about where any additional financial support would come from and how much money would be available. If these powers are exercised by Ministers in Wales, there is no information about whether additional financial assistance would be provided by Westminster or would have to be found from grants to Cardiff or reallocated from other agricultural funding.

Key facts:

- 1 in 8 people are employed in food and farming
- 85% of game shooting takes place on farmland
- One third of total farm business income comes from diversification
- 17% of rural premises are not getting decent broadband services
- Rural tourism provides £19 billion a year to the UK economy

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