



Health and Harmony: the future for food, farming and the environment in a Green Brexit

Defra Consultation

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Summary

The CLA is the membership organisation for owners of land, property and businesses in rural England and Wales. We help safeguard the interest of landowners, and those with an economic, social and environmental interest in rural land. Our members own or manage around half the rural land in England and Wales and more than 250 different types of businesses.

The CLA supports a new policy that delivers both profitable farming and forestry and rewards for the delivery of environmental and other public goods with secure long-term funding. While there are short term opportunities to simplify and improve the current system while within the CAP, the focus of policy development must be on creating a comprehensive, integrated and flexible food, farming and environmental policy that addresses the needs of the farming sector and society now and in the future.

This will provide the certainty to allow farmers to adapt and change during the transition period. The transition is a crucial phase and it is vital that no business with the potential to be viable in the long term should be compromised in the way transition is handled. The aim of transition should be a managed process that allows farming businesses to adapt to the new trading environment, new labour arrangements and the new food, farming and environmental policy, rather than the removal of direct payments. This means that the transition process cannot be designed until there is clarity of future schemes, certainty of the long-term EU/UK trade arrangements and a clear plan for investing in productivity during transition and beyond.

The new environmental land management system must be more than environmental stewardship. The opportunity for the environmental land management system to delivery public benefits at scale is dependent on making the scheme attractive to land managers, in terms of its scope, design and administration, and in particular the payment rates which need to reflect the true costs of delivery, the value to society and the commercial nature of land use decisions.

Improving profitability of farming and forestry and building long term self-reliance is essential to the viability of farming businesses and has multiple benefits for food security, vitality of rural communities and enhancement of natural resources. Government can support this through a range of measures to tackle the low productivity of recent years, building resilience and developing new and existing markets. While the intention is to boost investment during the transition period there must be recognition that these changes take time and a long-term programme will be required to work with the range of business planning cycles and succession decisions.

Part 1: Moving away from the Common Agricultural Policy in England

2. Reform within the CAP

Consultation questions

Please rank the following ideas for simplification of the current CAP, indicating the three options which are most appealing to you:

- a) Develop further simplified packages
- b) Simplify the application form
- c) Expand the online offer
- d) Reduce evidence requirements in the rest of the scheme

How can we improve the delivery of the current Countryside Stewardship scheme and increase uptake by farmers and land managers to help achieve valuable environmental outcomes?

Key points

- During the period England remains in the CAP, there should be no further change to rules or mapping in order to streamline the application process.
- Uptake and engagement with Countryside Stewardship has been limited by poor design and administration and a perception that the competitive aspects of the scheme make it inaccessible to land managers. The short-term focus should be on improving implementation of existing agreements notably around timeliness of payments and demonstrating that the scheme is attractive and accessible to land managers.
- Post EU-exit the priority should be moving to rolling application windows, reviewing the guidance and evidence requirements, developing stand-alone grants and empowering inspectors to make greater use of discretion.

Simplification of current CAP

BPS: During the period England remains under the CAP rules options to simplify and ensure simplicity for applicants could include minimizing the changes to greening or other measures that add complexity to the application process and costs to the industry and government. Similarly, any mapping changes should be minimised and any that are required should have clear timeframes and communications to applicants and a simple method for querying proposed changes.

Countryside Stewardship: The priority should be to improve the experience of agreement holders and perceived experience of potential applicants. Timely payments, clear communication and agreements that are agreed and signed before they are due to start will improve the reputation of the scheme and therefore attract new applicants.

Whilst there is a need to ensure transparency and value for money, evidence requirements are too onerous and the systems for managing them archaic and costly for applicants to collect and submit. Resource should be provided to pilot a digital system such as an online smart phone

app to allow agreement holders to record geo-tagged photos of options. This would reduce the amount of time required to provide this information and improve the quality of the information available to those reviewing agreements.

Further proposed simplifications of application and guidance, and more online offers have a resource cost and should not be considered until there has been an assessment of the efficacy of the four simplified wildlife packages and arable online offer. If the review suggests these changes are effective, have increased uptake and are meeting the environmental ambition of the scheme they should be expanded.

Improving delivery of current Countryside Stewardship scheme

After EU-exit immediate changes should include:

- Returning to rolling application windows to avoid the surge of applications.
 - As well as creating a bottle-neck on agency resource the single start date has meant many land managers have had to wait up to 11 months between the end of their old agreement and a possible new one. This has put stress on many rural businesses and threatened environmental achievements.
- Developing multiple stand-alone grants:
 - Focussed grants such as Hedgerow and Boundaries and Facilitation Fund have proven to be popular and deliver good value for money. The Department should look to create new stand-alone schemes on a similar basis, for instance capital investments to improve water quality and stand-alone common land schemes.
- Reviewing evidence requirements
 - The quantity of and processes for recording evidence requirements are disproportionate. These should be reviewed, absent the fear of disallowance, with the emphasis being on the agency to demonstrate why a piece of evidence is required.
- Reviewing all scheme guidance
 - Current scheme guidance is based in part on meeting the requirements of the EU. There should be a full-scale review of the guidance with the objective of improving, not necessarily simplifying these materials.
- A new approach to audit and control
 - Within the EU, driven by a fear of disallowance, the Rural Payment Agency (RPA) has taken a myopic and overly detailed view of audits. Under-delivery is currently recorded to two decimal places whilst over-delivery is not counted. New guidance for inspectors should be created providing greater use of discretion.

3. An 'Agricultural Transition'

Consultation questions

What is the best way of applying reductions to Direct Payments? Please select your preferred option from the following:

- a) Apply progressive reductions, with higher percentage reductions applied to amounts in higher payment bands ***
- b) Apply a cap to the largest payments**
- c) Other (please specify)**

*** please provide views on the payment bands and percentage reductions we should apply.**

What conditions should be attached to Direct Payments during the 'agricultural transition'? Please select your preferred options from the following:

- a) Retain and simplify the current requirements by removing all of the greening rules**
- b) Retain and simplify cross compliance rules and their enforcement**
- c) Make payments to current recipients, who are allowed to leave the land, using the payment to help them do so**
- d) Other (please specify)**

What are the factors that should drive the profile for reducing Direct Payments during the 'agricultural transition'?

How long should the 'agricultural transition' period be?

Key points

- The removal of direct payments should not be a goal in itself, rather the goal should be to put in place a managed process that allows farming businesses to adapt to the new trading environment, new labour arrangements and new food, farming and agricultural policy.
- The start, duration and speed of transition can only be determined once there is clarity of the new trading and labour arrangements and details of design and implementation timetable of the new public goods scheme are available.
- Once the new scheme details are available, applying reductions to Direct Payments should be based on the principles of a:
 - Manageable reduction for all businesses based on a clear timetable – it is not acceptable for any business of any size to have cuts in BPS in excess of 20% in any one year.
 - Access to the new public goods scheme must be timed to avoid a 'black hole' effect that will put undue stress on businesses that would otherwise be viable in the long term.
 - There should be a clear plan for how the Direct Payments clawback will be reinvested in the industry.

Agricultural Transition

Brexit is the opportunity to review and develop appropriate legislation and policies to deliver a profitable and environmentally sustainable farming and forestry sector within a thriving rural economy. Outside the restrictions of the CAP, policies can be developed that address the major issues of low profitability of farming activities and reliance on direct payments.

The CLA supports the replacement of the CAP with a new scheme based around rewarding farmers and landowners for the public benefits they deliver through the management of their land and sustainable farming practices. The CLA has proposed a Land Management Contract between Government and farmers and landowners for the delivery of a wide range of environmental and social public goods. However, the extent of the change required to get us from where we are to where we need to be is enormous. Currently the sector is overwhelmingly dependent on CAP support, and for those businesses to adapt to an unsubsidised market facing world will be a major challenge. This will require government investment in skills, technology, infrastructure and new ways of doing business, clarity of new schemes, and a manageable transition away from BPS.

The overriding objective must be to ensure that no business with the potential to be viable in the long term should be compromised by the way in which transition is handled. Delivering this objective involves a number of separate elements:

- **A clear direction of travel:** Farmers and landowners need to know the nature of the future policy if they are to plan for it. They cannot be expected to make plans in a vacuum. This requires the provision of far more detail on both the trade deal and the new environmental land management scheme, before transition begins
- **Reductions in payment:** Any reductions in payment must be made with a view to reinvesting in the industry to drive efficiency, pilot public goods and be accessible to everyone.
- **Details of the reinvestment in productivity must be made clearer:** Government has given some indication of the need to pilot the new environmental delivery but has said almost nothing of consequence on how it intends to help address the productivity challenge.
- **Equal reductions in payments:** The whole industry needs to change and needs to start doing so in the very near future. The most effective way of getting this message across to everyone who needs to hear it is to make the same percentage deduction from all claims.
- **There must be no arbitrary cap:** The introduction of a simple cap above a certain threshold must be avoided. It would put a disproportionate burden on one segment of the industry, the impact will be on some of the most efficient farmers and it would fair to send the signal to the industry as a whole.

- **The reductions must be at a manageable rate:** Business need to be able to plan for the loss of direct payments and factor it into their business planning so it can be managed. This will inevitably be much harder if the individual reductions are large.
- **Phasing in the new policy:** The new public goods delivery model needs to be phased in as BPS is phased out. Businesses need to be able to plan for the introduction of the new scheme. Moreover, no business should be put in jeopardy following the reduction in direct payments simply because the new scheme is not yet available.
- **Duration of the transition period:** The time which individual businesses need to make the necessary changes varies significantly from one business to another. On balance a period of five years from the start of the introduction of the new environmental scheme appears reasonable

Conditions on Direct Payments during the ‘agricultural transition’

There is no merit in retaining the greening requirements. All the evidence shows that it provides little environmental benefit but imposes considerable burdens on business.

Cross compliance should be retained subject to changes in the inspection and enforcement regime. The requirements, whether legal or best practice are only what a responsible farmer should be doing anyway.

Payments should not be delinked from the land. There is no public benefit in breaking the connection and a major potential downside of negative press coverage. If the intention is to encourage restructuring and new entrants into the sector, there are better ways to achieve this without the risks.

4. A successful future for farming – Farming excellence and profitability; Agricultural technology and research; Labour: a skilled workforce

Farming excellence and profitability

Consultation questions

How can we improve the take-up of knowledge and advice by farmers and land managers? Please rank your top three options by order of preference:

- a) Encouraging benchmarking and farmer-to-farmer learning**
- b) Working with industry to improve standards and coordination**
- c) Better access to skills providers and resources**
- d) Developing formal incentives to encourage training and career development**
- e) Making Continuing Professional Development (CPD) a condition of any future grants or loans**
- f) Other (please specify)**

What are the main barriers to new capital investment that can boost profitability and improve animal and plant health on-farm? Please rank your top three options by order of the biggest issues:

- a) Insufficient access to support and advice**
- b) Uncertainty about the future and where to target new investment**
- c) Difficulties with securing finance from private lenders**
- d) Investments in buildings, innovation or new equipment are prohibitively expensive**
- e) Underlying profitability of the business**
- f) 'Social' issues (such as lack of succession or security of tenure)**
- g) Other (please specify)**

What are the most effective ways to support new entrants and encourage more young people into a career in farming and land management?

Does existing tenancy law present barriers to new entrants, productivity and investment?

Key points

- While the industry must drive the improvement of skills and knowledge in the sector, the Government has a role through evaluation and monitoring of local needs to ensure access to the right type of training in the right place; incentives to encourage uptake of training and developing a culture of continual improvement and skills development; targeted support for management skills to drive professionalism in the industry.
- The main barriers to new capital investment are issues with the planning system which is complicated, costly and time-consuming to navigate, with Brexit uncertainty, regulation and prohibitive upfront costs all issues. The most common barriers are all external, requiring changes in policy and Government intervention to address.

- Encouraging new entrants of all ages can be supported through providing additional support through funded training, mentoring and preferential loans. Investment in the business matching initiatives that generate opportunities for joint ventures and other business arrangements would help entrants and exiters.
- Brexit changes presents an opportunity to allow the traditional agricultural tenancies to migrate to the modern responsive, more market and investment orientated model that the Farm Business Tenancy offers. However, there are other land occupation opportunities for example contract and share farming, which are more collaborative than the usual landlord/tenant approach. Both are flexible and allow businesses to grow and invest further. Share farming in particular can get over the many problems of the high costs of working capital required, which can be built up over time, and it also provides a good platform for a new entrant to build up both his experience and his value in the business over time.

How to improve uptake of knowledge and advice by farmers and land managers

As stated in the consultation there is strong evidence that improving skills and knowledge will lead to improved productivity. Previous analysis by Defra¹ and the Agri-skills forum² identified business skills as the priority area and recent Defra skills survey found that agriculture businesses invested the lowest amount in training of all sectors. However, in order to develop sensible policies on improving skills and knowledge within the industry it is important to be clear about what this will mean in practice.

- Farming businesses require a range of skills broadly categorised into business management, technical and husbandry and, increasingly, environmental management.
- Skills and knowledge can be developed by owners, managers and staff, but can also be bought in through the use of advisors.
- A large proportion of the current training can be classed as informal through discussion groups, meetings and networks. Formal training includes activities that leads to a qualification, certification or Continuing Professional Development (CPD) registers.
- There are a number of training standards/qualifications available for many of the farm activities including management, (e.g. Institute of Agricultural Management), technical (e.g. BASIS crop protection, NRoSO) and environmental (e.g. BASIS soil and water), but there is no single recognised accreditation for running a farm business.

There is no one solution to developing skills and knowledge in farm businesses in order to improve productivity and competitiveness, as the needs of businesses vary enormously. Much of the responsibility for improving profitable farming and forestry falls on individual business owners. The Government has a role in helping the industry to become professional and highly skilled.

This can be achieved through:

- Ensuring that **colleges are delivering appropriate skills and training** for the needs of farming businesses for the future in terms of technology and data management, as well

¹ Defra, Future of Farming Review (July 2013)

² Agri-skills Forum, Professionalism in Agriculture – People, Progression, Profit, (November 2013)

as traditional husbandry and business skills. Specific actions should include recognition of agriculture as a STEM subject and building on apprenticeship ambitions.

- **Providing support and incentives for continual professional skills development** in business training and financial management, risk management, staff management, facilitation, negotiating, sales and marketing, including a drive for more benchmarking.
 - This will require a co-ordinating body to focus on in-work training opportunities.
 - This should include funding the development of range of courses that can be **accessed** in a variety of formats and from different providers to suit different circumstances. Note that this is contingent on access to high-speed broadband in remote areas.
 - **Incentives** to take up appropriate training which should include subsidised course fees.

- **Benchmarking** is recognised as a foundation for good business management and encouraging benchmarking is a sensible approach. However, there is no one standard approach and benchmarking can be achieved in a range of different ways, so surveys that indicate low uptake of benchmarking may be misleading if the focus is on standard tools. Any incentives should recognise the range of benchmarking available.
- **Improving the standards of business management** of farming businesses is a good aim, that can be driven by incentives or conditions for receipt of certain public funding. Conditions for accessing funding would require common and meaningful standards across the industry and runs the risk of a bureaucratic system that would not help achieve the aims. That is not to say that some conditions on funding should not be considered, but they should be relevant to the funding and support the objectives and developed with the industry.
- There will be a need for many businesses to seek **advice** during the transition period in order to make the best decisions for a business. Given the major changes affecting the industry, some funded advice programmes should be available to support a managed change.

Barriers to new capital investment to boost profitability

Low profitability is one of the biggest barriers to investment in the farming sector. Findings from a 2017 membership survey with over 1,000 respondents, indicated that the main barriers to change were:

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|-------------------------------------|-----|
| • Issues with the planning system | 31% |
| • Brexit uncertainty | 27% |
| • Laws and regulation | 22% |
| • Prohibitive upfront costs | 21% |
| • Lack of capital/access to funding | 17% |
| • Negative tax implications | 15% |
| • Time available to plan | 11% |

The most commonly cited barriers are all external, requiring changes in policy and Government intervention to address. However, there are also some internal barriers such as lack of time and skills which could be resolved through taking advice and accessing training.

Planning | Notwithstanding the recent reforms to the planning system, set out in the draft National Policy Planning Framework (NPPF) which we do welcome, it is still too slow, too cumbersome and too expensive. Moreover, there is insufficient certainty of outcome. The potential developer can invest significant resources in a project without any guarantee that it will be permitted to go ahead. All this is a strong disincentive. The problem could be significantly improved by the Government introducing “permission in principle” that would provide far greater certainty at the outset.

Regulation | Some regulatory requirements are a serious impediment to investment, with the costs and regulatory burden of disproportionate for the size of the business. While environmental protection is important, the associated costs must be capped to avoid unnecessary barriers.

Tax | There are a number of reforms which could be made to reflect modern needs. Firstly, allowances should be made available for a wider range of on farm activities, such as the construction of reservoirs to improve water management and farm buildings. Secondly the allowance should be made available to joint ventures in such a way that both parties can take the benefit in respect of major purchases such as farm machinery.

Grants | Co-funding from government through grants and loans for infrastructure, equipment and technology that boost productivity and resilience are essential to address the long-term underinvestment. Investment in updating farm buildings, improved livestock housing and handling, drainage, efficient machinery, irrigation equipment, slurry/manure storage and handling and precision agriculture are some examples that would make immediate productivity improvements and deliver positive environmental benefits.

Supporting new entrants and make farming and land management an attractive career

A distinction needs to be made between new entrants who have a financial stake in a farming business, and new entrants to the industry as employees. The issues and policy responses are different.

New entrants to farming include a person of any age or experience taking a financial stake in their first farming business. This will include:

- Setting up a farming business by renting land and/or buildings through farm business tenancies or grazing licences/annual lets
- Setting up in a farming business through purchasing land and/or buildings
- Joining an existing business where there is an element of shared risk and reward such as joining a family business as a partner, a share farming agreement or other joint venture structure such as farm manager with profit share
- Succession due to inheritance or retirement.

There is a serious lack of recent and reliable data on new entrants on which to base policy decisions and this should be a priority area for the Government to investigate. Data based on

age of holder is particularly unreliable as this gives no information on the decision maker or the attitude of the holder.

There are clearly some challenges for new entrants, particularly those that do not have capital or land through succession or inheritance, and there are a number of options to support them:

- Alternative routes into farming such as share farming and other joint ventures, should be promoted. In particular, government support for the Fresh Start Land Partnership match finding service to promote awareness and provide advice to entrants and exiters.
- Access to finance can be a challenge for new entrants so the provision of preferential grants and loans would allow businesses to develop.
- Many large estates are already providing 'starter tenancies' which are aimed at new entrants, and this could be incentivised, but more importantly, providing support and mentoring to new entrants to prepare business plans, on-going mentoring and business advice and access to preferential loan rates and grants as part of a new entrant package would remove constraints, or improve access to funding to buy land.

There is an urgent need for new entrants with the right skills to work in the farming industry in all farming sectors and across the ancillary industries. Key to attracting new entrants to work in the industry is to rebrand the industry from low paid, low skill, to one of high value, high technology with global importance as part of the food chain.

Incentives for farm business owners to take career development seriously through providing jobs that have structured training and progression. While this can more easily be delivered on larger businesses, there could be incentives for businesses working collaboratively to provide a breadth of experience and in-work training for employees.

Does existing tenancy law present barriers to new entrants, productivity and investment?

Tenancy legislation can have a significant bearing on the ability for new entrants to enter agriculture and can encourage or discourage increases in productivity and investment. Depending on the survey data used the area of land held under Agricultural Holdings Act Tenancies and Farm Business tenancies is about the same.

The 2016/17 Defra Statistics³ show that the split between AHA and FBT is 55%/45% respectively. Over the last year there has been a 3% reduction of land under AHA agreement and an increase of 6% in land covered by FBT. This shows that more land has come onto the tenant market that was not let before.

Agricultural Tenancies Act 1995

Farm Business Tenancies, created by the Agricultural Tenancies Act 1995 offer a huge variety of opportunities for both new entrants and those wishing to progress through the industry. These vary from seasonal grazing and cropping opportunities, short term lets of bare land and

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695370/fbs-farmrents2016-29mar18.pdf

long term lets of fully equipped farm holdings. The open market rents allow both the landlord and tenant to reach agreement on rental levels, terms and investment strategy. The legislation allows tenancies to be responsive to changes in market and trading circumstances. Productivity may refer to increasing the output per hectare of land and the profitability of agricultural businesses but it is important to recognise that rental levels can often drive production and are also a much-required return on the landowner capital, which is a key stimulus for future investment strategy.

The Tenancy Reform Industry Group looked at various measures to reform the legislation. The one measure that would build greater confidence in the let land sector would be an increase in the ease with which the landlord can regain possession in the event of the non-payment of rent or a serious breach of the tenancy. Currently forfeiture processes are cumbersome and expensive which can act as a disincentive to long term lets.

CAAV figures for 2016⁴ showed that where AHA tenancies came to an end 86% of that land was re-let, and where previously FBT 94% was let again.

The CAAV also found that that there had been a marked lengthening of the periods for which land is let under FBTs to an average of 4.5 years, however this has to be taken in context. If you exclude seasonal lettings the average was 6 years, fully equipped holdings 14 years, letting of over 200 acres 9 years and where land was previous let under an AHA 10 years. So it is wrong to say that FBTs encourage short termism what they provide is flexibility, for both the landowner and the tenant in a changing market.

Agricultural Holdings Act 1986

Agricultural Holdings Act 1986 tenancies however present a real challenge, many carry rights of succession. This may keep the holding in the occupation a family for three generations which is beyond any investment return envisaged now. These tenancies also enjoy rental levels that are suppressed to way below open market levels. This means that, for example, land, buildings and a sizeable farmhouse are often let at low rent that ignores the considerable value of the farmhouse, with the result that the landlord has little incentive to invest in its maintenance or improvement. Why invest in an asset that yields such a low rate of return?

The low rent and succession criteria may benefit the individual family but offer nothing to the wider progression of the industry. For the landowner there is little return on investment, so there is little likelihood of anything beyond what is required to comply with statute – in most cases there is simply not the resource to do anything more.

The Tenancy Reform Industry Group looked at various measures for reforming 1986 Act tenancies, but the only measure that might increase productivity is the ring fencing of the finance agreement associated with the landowner providing new fixed equipment. This would mean that any such agreement would not be taken to account when assessing the rent. Whilst this will help to encourage investment it will only be limited to landowners who see the wider merits of investing in such a low yielding asset, rather than being a game changer across the sector.

⁴ CAAV Agricultural Land Occupation Survey 2016

It is now over 20 years since the Agricultural Tenancies Act 1995 came into force. The Farm Business Tenancy system has shown that it can be flexible and responsive to the market and has resulted in more land being let (CAAV annual Survey of Land Occupation).

Agricultural technology and research

Consultation questions

What are the priority research topics that industry and Government should focus on to drive improvements in productivity and resource efficiency? Please rank your top three options by order of importance:

- a) Plant and animal breeding and genetics**
- b) Crop and livestock health and animal welfare**
- c) Data driven smart and precision agriculture**
- d) Managing resources sustainably, including agro-chemicals**
- e) Improving environmental performance, including soil health**
- f) Safety and trust in the supply chain**
- g) Other (please specify)**

How can industry and Government put farmers in the driving seat to ensure that agricultural R&D delivers what they need? Please rank your top three options by order of importance:

- a) Encouraging a stronger focus on near-market applied agricultural R&D**
- b) Bringing groups of farms together in research syndicates to deliver practical solutions**
- c) Accelerating the 'proof of concept' testing of novel approaches to agricultural constraints**
- d) Giving the farming industry a greater say in setting the strategic direction for research funding**
- e) Other (please specify)**

What are the main barriers to adopting new technology and ideas on-farm, and how can we overcome them?

Key points

- Research investment needs to deliver better value through improved co-ordination and more targeted, long-term investment in applied research and knowledge exchange. It is vital that private sector research continues in the UK following Brexit.
- Research priorities need to be kept under review and be responsive to changing circumstances. The current priorities must be investment in genetics, sustainable use of chemicals and developing technology and data solutions for all farming systems.
- Given the government objective of increased forestry and woodland there should be more focus on co-ordinated research and knowledge exchange on woodland productivity.
- Farmer participation in research can take many forms from the passive purchase of new genetics based on trials and advice, to hosting and delivering trials. The priority must be

to speed up the adoption of beneficial practices on farm and this needs a multi-channel approach including advice, networks, demonstration farms and farmer-led research.

- There are some real barriers to adopting new technology and practices on farms and Government can provide support through incentives such as grants and loans and supporting changes in knowledge exchange.
- The impact of the regulatory controls on availability of new technology needs addressing as we exit the EU to ensure an evidence-based approach is taken in the approval of genetics and chemicals

Priority research topics for industry and Government to improve productivity and resource efficiency

Research and innovation is the powerhouse of a more productive farming sector, bringing new understanding, ideas and solutions for industry and society issues. The UK has a world leading research sector but there is an urgent need for a more co-ordinated and more targeted, long term investment in applied research and knowledge exchange. This will deliver rapid benefits to farm businesses of all sizes and tackle serious threats to the long-term sustainability of the industry.

Research priorities should be guided by the big challenges of profitable and competitive farming, environmental protection and consumer needs and be responsive to changing circumstances. For future farming that means harnessing the power of genetics, using chemicals more sustainably and developing technology and data solutions to drive smart and precision agriculture. The Government ambition to increase the area of forestry and woodland will require a greater focus on research to support productivity in this sector.

Building a high tech, efficient and resilient industry with opportunities for all sizes of business requires specific government actions on research and innovation, such as:

- Recognition of the international nature of research and innovation and ensuring that these links with industry and academia are maintained and strengthened post-Brexit. Of particular importance is ensuring that private investment in research is not lost from the UK after Brexit, and there is still access to new genetics and crop and livestock protection products.
- In the UK, co-ordination of public, private and levy-funded research in an improved Agritech strategy with clear farm production benefits for all farm enterprises including forestry.
- Ensure that research knowledge and innovation reach farms and is adopted fast. For some changes there is a clear short-term cost benefits, such as new crop varieties, and adoption is fast. But where business risks are higher, for example for larger and long-term investments, and for emerging technologies, the speed of adoption can be improved through incentives through the tax regime, grants and loans.
- Locally led and fast adoption will be supported by encouraging local and farmer-led research which has been demonstrated to increase access and adoption of new practices. In addition to programmes to encourage local and farmer-led research, extending the tax allowance so it can be claimed for research conducted by farm businesses would encourage participation.

- Multi-channel and multi-source knowledge exchange and advice using all the resources of academic, private and levy research and advisory capability.

Forestry and woodland productivity research and knowledge exchange will also become increasingly important if the government is to realise its ambitions for expanding this sector.

Similarly, as **environmental delivery** becomes a more significant part of farm income, co-ordinated research and knowledge exchange programmes to enhance outcomes and deliver sustainable farming solutions will be required.

Encouraging farmers to be more involved in agricultural research and development

There is currently an annual spend of about £450 million on UK agricultural research and the UK has world rated institutions, but only a small proportion of this is spent on near-market and applied research, and only 1% on farmer-led research. While the total spend is higher than many other comparable countries, such as Denmark and Germany, agricultural productivity growth in the UK is lower. In order to generate better value from this research investment, there needs to be faster adoption of innovation. This needs recognition of all the channels that make this happen including passive mechanisms (advice, information, networks, demonstration) and more active involvement in R&D (research panels, hosting trial, driving research ideas) This raises a number of issues that need to be addressed, including how to get farmers more involved in R&D, but should also look at how knowledge exchange could be improved – such as building knowledge exchange (KE) into research projects with key performance indicators and using specialist research translators to maximise the benefits to the industry, and novel funding approaches and incentives to encourage investment in research.

There is good evidence to support the value of local research and knowledge exchange and the focus must be to build on the experience of existing programmes. The Duchy Future Farming Programme leads on the Innovative Farming programme that brings farmers together with researchers to deliver and share local, robust science and KE. Other programmes such as the AHDB Monitor Farm networks delivers local research in practice and KE.

Other collaborative bridging programmes that take research to the farm could be focussed on supply chains, however these need to be structured to ensure that the findings are available to the whole industry and not just those involved in the project.

Barriers and solutions to adopting new technology and ideas on-farm

There are four major types of new technology investments. **Mechanisation and labour** efficiency have contributed most to productivity gains in the last 25 years with investment in new equipment and infrastructure. Advances in **biological technology** through genetics of crops and livestock have provided major advances in yields and productivity, as have **chemical technologies** of pesticides, fertilisers and veterinary and medicine products. The industry is now on the cusp of a new **digital technology** era which has the scope to revolutionise what and how land is farmed and managed through the use of satellite and digital innovations that will open new ways of working through precision farming, improved information and new markets. These

trends were reflected in a CLA survey⁵ of over 1,000 members in 2017 where 28% of respondents invested in agri-technology and 24% in broadband in the last five years.

There are some real barriers to investment and change that have the potential to limited opportunities to develop profitable and resilient businesses for the future. These include skills, investment and running costs relative to benefits, practicalities and access to finance. Externally, the regulatory regime for new technologies can either add cost or complexity in bringing it to market.

The priority solutions include:

- **Support for investment in technology** to improve productivity and resilience through tax incentives, grants and loans. Grants and loans should be open to all ideas with no application window restrictions and recognition of the long-term nature of farm business planning.
- Develop **evidence-based regulatory regimes** for new technology that will support food security, enhance resource efficiency and ensure protection of human health and the environment.

Labour: a skilled workforce

Consultation questions

What are the priority skills gaps across UK agriculture? Please rank your top three options by order of importance:

- a) Business / financial**
- b) Risk management**
- c) Leadership**
- d) Engineering**
- e) Manufacturing**
- f) Research**
- g) Other (please specify)**

What can industry do to help make agriculture and land management a great career choice?

How can Government support industry to build the resilience of the agricultural sector to meet labour demand?

Key points

- There is no one priority for skills development with requirements varying for individual businesses in farming and land management, however business skills will be a focus given the changes affecting the sector. In the future, the industry is likely to require more technical skills to operate specialist machinery and manage data.

⁵ CLA Redefining Farming conference research report November 2017
<https://www.cla.org.uk/sites/default/files/CLA%20Redefining%20Farming%20Report%20D8%20V2%20.11.17%20AW%20LR%20Online.compressed.pdf>

- There is an urgent need to address the issue of migrant labour for both permanent and temporary workers in the agriculture sector and food supply chain.

Priority skills gaps across UK agriculture

There is no one priority for skills development across the industry and requirements vary for individual businesses. However, business skills and leadership/change management will need to be a focus given the changes in agricultural policy and the likely impacts on farming and other land-based businesses and this has been identified in reports from the Agri-skills Forum.

There is evidence from a range of studies that training and skills development, other than those required for legal reasons, is not regarded as a priority for all businesses. However, a priority must be to change the culture to recognise training as an investment in people and the business, rather than as a cost. This could be supported through incentives to undertake training, but this must be accompanied by the development of appropriate and accessible courses.

Looking to the future, the industry needs to develop strong links with colleges, universities, in-work training providers and the supply chain, to ensure that evolving needs are identified and met. For example, farming businesses are increasingly technical, with high value tractors and equipment that requires specialist operators, and data management and analysis requirements that go beyond just good husbandry skills.

Agriculture should not be the sole focus. Increasingly, forestry and woodland management is part of an integrated farming business and should be included in skills needs for the future.

Government support for the industry to build the resilience of the agriculture sector to meet labour demands

Along with trade and future agricultural policy, the supply of labour is one of the most important issues that arises as a result of Brexit for both the agrifood sector and the wider rural economy. For the rural economy, the need for migrant labour, either on a seasonal or permanent basis, is fundamental to the viability of many rural businesses.

Farming is particularly dependent on workers from the EU, and Eastern Europe in particular. There are more than 30,000 permanent workers (ONS, 2015) and an estimated 80,000 seasonal workers (Migration Advisory Committee, 2012) working in agriculture who are non-UK nationals. The vast majority of these roles are filled by people that originate from Eastern European countries within the EU.

Many rural businesses are unable to source their labour requirements from domestic supply. It is also the case that there are many in the migrant labour force who are employed in permanent, skilled positions. For example, there are many non-UK veterinary officials who conduct hygiene checks in abattoirs and ante and post mortems as part of the current regulatory requirements simply because there is a lack of suitably qualified professionals domestically.

This sub-section of the labour force, in terms of skilled labour, needs to be stressed. Skilled and managerial migrant employees are just part of the permanent workforce. CLA research shows

that 34% of seasonal migrant workers are either defined as being skilled or employed in a managerial capacity. CLA evidence also shows that skilled and managerial employees return to the UK year on year, dispelling the argument that the very nature of seasonal infers a constant rotating pool of labour.

Reintroducing a Seasonal Agricultural Workers Scheme is vital for continued productivity and needs to be in place before any restrictions apply to the freedom of movement. In addition, a key objective of replicating the past scheme should be administrative improvements.

But it is not just in the agriculture sector where restrictions on migrant labour supply would have a significantly negative impact. Across the agrifood supply chain there are a number of non-UK nationals who have built up skills and experience that are invaluable to rural businesses and who are employed permanently. Removing these people from existing businesses as a result of a restrictive immigration policy would be both very damaging economically and counter-productive. If there is consent from both the employer and the employee, they should be able to remain employed in the UK.

It is also important for the UK to attract the best skill and experience from across the world to manage modern farms, processing and production facilities and to bring their knowledge to the UK's research and development sector. It is unfortunate that restrictive immigration could very well starve the UK of the "best brains" in innovation. Only by introducing an immigration system with flexible qualifying criteria will the need of rural businesses for the most innovative approaches in near market R&D be met.

Under a Free Trade Agreement with the EU a framework will be required Government where labour supply is targeted to specific sectors.

An essential element of such a framework is a 'defined need' for labour that takes into account the wishes of the British electorate whilst also meeting the needs of rural businesses as they seek to invest and grow. Such a framework has to accommodate the very real needs of those rural businesses where the level of production is predicated on a sufficient labour force. If it does not prove possible to secure this labour supply domestically then access needs to be permitted to target and employ non-UK nationals either on a temporary and seasonal basis or on more permanent contracts depending on the requirements of specific sectors.

This more balanced and nuanced approach introduces flexibility and recognises the role migrant workers play in generating economic growth. It meets the concept of 'defined need' and by doing so satisfies the requirements of rural businesses to a reliable labour source. However, restrictions on or suspensions of sources of labour will negatively impinge on sustainable economic growth.

Part 2: Implementing a new agricultural policy in England

5. Public money for public goods

Consultation questions

Which of the environmental outcomes listed below do you consider to be the most important public goods that Government should support? Please rank your top three options by order of importance:

- a) Improved soil health**
- b) Improved water quality**
- c) Better air quality**
- d) Increased biodiversity**
- e) Climate change mitigation**
- f) Enhanced beauty, heritage and engagement with the natural environment**

Of the other options listed below, which do you consider to be the most important public goods that Government should support? Please rank your top three options by order of importance:

- a) World-class animal welfare**
- b) High animal health standards**
- c) Protection of crops, tree, plant and bee health**
- d) Improved productivity and competitiveness**
- e) Preserving rural resilience and traditional farming and landscapes in the uplands**
- f) Public access to the countryside**

Are there any other public goods which you think the Government should support?

Key points

- All of the public goods listed represent crucial outcomes and should be supported by the Government. Each public good is important in its own right, and priorities will vary by location, so seeking to achieve one objective should not undermine the desire to provide any other public benefits. While some public goods may either be undeliverable or relatively less desirable in certain areas, this should not jeopardise the aim to deliver goods across the whole of the UK for the public's benefit.
- It is vital that the scale of ambition and public money that will be committed to securing them is agreed and ring fenced for the long term. Recent analysis by RPSB/Wildlife Trusts suggested that a minimum of £2.19 billion annual spend is required to meet existing government objectives, but this might need to be higher if the Government is to meet the stated ambition 'to be the first generation to leave the environment in a better state than when they found it'.
- Recognition of improved productivity and competitiveness as a public good is particularly welcome considering the range of benefits this objective delivers. Public access is important but must be carefully defined.

Important environmental outcomes

The list provided in the consultation is correct. All of these public goods are crucial and should be supported by the under the future food, farming and environment policy.

Whilst it is recognised that the Government is seeking to determine its priorities, the relative importance of any single public good should not undermine the imperative to support all publicly beneficial outcomes. When it comes to a complex system such as the environment in particular, they are all important. Moreover, different public goods will be required in different parts of the country therefore, it is undesirable to limit the scope of public benefits supported by the Government on the basis of what a majority vote of consultees may indicate as preferred or what is possible to deliver in most areas of the country.

The delivery of all public goods listed should be supported by the Government going forward.

Crucially absent from this section is any detail related to the level of public funding. Farmers, land managers and consultees need a clear and early view of the direction and ambition of policy. While greater detail on the specific public goods being considered for support is a welcome indication of direction, there is a demonstrable lack of detail on the level of ambition and likely funding that will be committed to public good delivery.

Given the state of the environment, the position of farming and land management industries and rural communities overall, there is a strong – if not imperative – case for high ambition which exceeds current government objectives.

Last year the RSPB, National Trust and The Wildlife Trusts published a joint research report which assessed the budgetary needs for delivering the Government's stated commitments regarding environmental public goods. The findings were that a minimum of £2.19 billion is required annually across the UK to deliver Government's current commitments on the environment.⁶

If this figure is taken as an indication of the funds needed for a public money for public goods system, it is a significant underestimate, as it does not account for delivering commitments from the recent 25 Year Environment Plan or any environmental objectives which will be set in the future, nor does it take into consideration the delivery of non-environmental public goods which are listed in the consultation document.

Other important public goods

All of these public goods are delivered by farming businesses and should be included in any future scheme. They often provide integrated benefits, for example improvements in **animal health and welfare** can reduce carbon emissions, and investment rural resilience and traditional

⁶ RSPB; National Trust; The Wildlife Trusts, 2017. 'Assessing the costs of Environmental Land Management in the UK – Policy Briefing.'
https://ww2.rspb.org.uk/Images/Assessing%20the%20costs%20of%20Environmental%20Land%20Management%20in%20the%20UK%20Policy%20Briefing_tcm9-449500.pdf

landscapes deliver stability and social cohesion and a value for tourism and health and wellbeing.

The CLA particularly welcomes the recognition of improved **productivity and competitiveness** as a public good which the Government should support. Improving productivity and competitiveness not only benefits consumers and the wider public by steadily reducing the price of food and other farmed products in a way that is sustainable for farm businesses, but it also is a key way of delivering certain public goods. For instance, climate change mitigation is principally delivered through programmes which aim to improve productivity. Findings from the Greenhouse Gas Action Plan (GHGAP) progress report published in 2012 indicated that climate change mitigation can best be achieved if messages focus on the tangible benefits that farm businesses will receive, namely productivity increases and engagement with the supply chain.⁷ The inclusion of climate change mitigation measures within the productivity schemes of the Rural Development Programme for England (RDPE) is a testament to the recognition that this approach is an effective way to engage farm businesses. This strategy should be continued going forward and the recognition of improved productivity and competitiveness as a public good demonstrates a shared understanding and reinforces the logic of this approach. The Rural Development Programme for England (RDPE) has provided a blueprint for future schemes which contribute to a range of benefits, which are both public and private in nature. Defra conducted an impact assessment in 2014 for the current set of RDPE programmes which found that the benefit-to-cost ratio for the RDPE as a whole was positive. Specifically, there was found to be a return on investment of 2.51 for the Growth programme and figures of 5.07 and 3.71 for the business and community investment components of LEADER, respectively.⁸ These assessments indicate that support for improved productivity and competitiveness can deliver a range of environmental and other public goods and the benefits of doing so far exceed the costs.

Public access is an important public good delivering a range of benefits for health and wellbeing. What is meant by public access should be clearly defined and could include new and enhanced footpaths and other more area-based access, infrastructure to support the use of footpaths and access and educational visits and supporting infrastructure. It is important that the provision of any public access by a landowner is voluntary, flexible, time limited and does not create any new permanent right of access. It must enable a wide variety of measures to suit local circumstances, including existing access provision, and consider both traditional and non-traditional forms of access, such as infrastructure (subject to planning requirements). The payments should reflect the risks, costs and the impact on adjacent land and business activities.

⁷ 2012, 'Greenhouse Gas Action Plan (GHGAP): Progress report and Phase II Delivery.'

<https://ahdb.org.uk/projects/documents/GHGAPprogressreportApril2012.pdf>

⁸ Defra, 2014. 'The Rural Development Programme for England, 2014 to 2020: Final Impact Assessment'

https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/319445/rdpe-ia-201406.pdf

6. Enhancing the environment

Consultation questions

From the list below, please select which outcomes would be best achieved by incentivising action across a number of farms or other land parcels in a future environmental land management system:

- a) Recreation
- b) Water quality
- c) Flood mitigation
- d) Habitat restoration
- e) Species recovery
- f) Soil quality
- g) Cultural heritage
- h) Carbon sequestration and greenhouse gas reduction
- i) Air quality
- j) Woodlands and forestry
- k) Other (please specify)

What role should outcome-based payments have in a new environmental land management system?

How can an approach to a new environmental land management system be developed that balances national and local priorities for environmental outcomes?

How can farmers and land managers work together or with third parties to deliver environmental outcomes?

Key points

- All of the outcome listed can be incentivised in future schemes through environmental management, sustainable farming practices and forestry and woodland creation and management of existing woodland. Environmental benefits can also be achieved through improve animal health and welfare.
- Government should not assume land managers will automatically engage in future environmental schemes. Future schemes must be economically attractive, administered competently and fit within diversified rural businesses. If these preconditions are met then environmental outcomes will be delivered at scale.
- Outcome based payments can be appropriate for in some situations and it should be an aspiration to include in future schemes when the evidence and administrative processes are developed.
- The delivery of future schemes should be delegated to the 14 local areas defined by Natural England, Forestry Commission and Environment Agency. This would retain the link between land managers and government (the ultimate buyer) whilst also creating opportunities for innovation and local adaptation. In the medium term, there should be a presumption that schemes will be outcome based but the evidence base and administrative processes are currently lacking for wholesale adoption.
- There are a number of barriers to collaborative environmental delivery, most of which can be overcome by better scheme design.

Outcomes for inclusion in a future environmental land management system

All of the environmental outcomes listed could be incentivised through multi-annual payments or capital grants delivering a wide range public benefits. This should cover specific land management for environmental management, sustainable farming practices and forestry and woodland creation and management. Environmental management is well understood through previous agri-environment schemes and natural flood management programmes, but further thought needs to be given to encouraging changes to farming systems such as agro-forestry and modern forms of mixed farming. Sustainable farming practices can support improved soil quality, water quality and reduced air pollution, as well as delivering landscape character and cultural heritage. Animal health and welfare should also be included as improved practices and biosecurity measures can deliver positive environmental benefits through improved efficiency and reduced carbon emissions, as well as wider society benefits through reduced anti-microbial use. Management of existing woodland and forestry is an underutilised resource that delivers multiple benefits and outcomes that should be incentivised in future programmes.

It is crucial that the budget and payment rates are attractive to farmers and landowners if the outcomes are to be delivered at scale. A scheme based on current design and payment rates of cost incurred and income foregone will not be attractive to many. There needs to be further work to develop outcomes for sustainable farming practices which have the potential to deliver a wide range of high value public benefits.

Role for outcome-based payments

There should be a long-term aspiration that all activities within future schemes are outcome based, but at the current time the evidence base and administrative processes are too undeveloped for wholesale adoption. There is not the evidence to show the optimum outcome in every case and in others, the beneficial outcomes are so widely acknowledged, such as with riparian buffer strips, that inspection costs can be kept to a minimum by paying for activity.

Natural England's ongoing Result Based Agri-environment Pilot Schemes have demonstrated that although environmental performance may increase, efficient systems for administering outcome-based schemes are currently lacking, management costs are high and the evidence base about how to achieve excellent outcomes is un-developed.

To improve the knowledge base and to support improved outcomes as part of the available advice, land managers will be able to undertake ecological training to improve species identification and expertise. When accredited, land managers should be financially rewarded for providing their monitoring reports. This policy will increase land manager engagement in environmental delivery whilst providing cost effective monitoring. Ultimately this will improve the evidence around land management and allow for focus on the most effective actions.

Balancing national and local priorities for environmental outcomes

Future schemes must be a contract between land manager(s) and the Government, with farmers being paid specified amounts, on specified days for providing specified outcomes or carrying out specified activities. This direct relationship is necessary to ensure accountability and the

integrity of the scheme. This direct link also means that land managers have a single point of contact for entry into environmental land management and a reasonable expectation of good service. There should however be a presumption of local delivery for future schemes.

Local delivery should be managed within the 14 local areas recently created by the Environment Agency, Natural England and Forestry Commission. These 14 areas are the best basis for local prioritisation and delivery as they are based around relevant Government agencies, have existing administrative and governance arrangements and cover all of England.

To be effective and to ensure that applicants are treated in a consistent manner, local prioritisation and delivery should be achieved transparently and within nationally monitored limits and rules. There will also be a need for overarching priorities and targets to be set nationally. Each of the 14 local areas must demonstrate how they will make their contribution to these.

Encouraging collaborative working to deliver environmental outcomes

Future schemes should be a contract between land manager(s) and the Government. The role of third parties must be limited to providing support and advice.

The CLA has worked with its members to understand barriers and possible solutions to multiple land managers working together to deliver environmental benefits at scale, these include:

- The **lack of flexibility** in current schemes means landowners are concerned that adapting agreements to meet group objectives would lead to them but being penalised for breaking scheme rules.
- There is a **significant cost in time** for engaging in facilitated groups. This cost was disproportionately higher than the benefits (to farmers). Therefore, incentives need to be proportionate.
- Landscape scale delivery might include multiple farmers / land holdings but there are large landowners who can achieve **landscape scale delivery on a single holding**, this should be encouraged.
- The current facilitation fund focusses on specific topics and this meant that only some parts of an agreement were coordinated (for instance those elements relating to flood risk). This was a very **partial form** of collaboration.
- The issue of **multiple start dates is a barrier to collaboration**. The current system means that only those farmers who are entering into an agreement at the same time could collaborate. In future, applicants could indicate that they want to join a collaborative scheme when they renewed their agreement. This sort of staged agreement would support collaboration within the constraints of the system.
- The need for **consents** for land use change was often a barrier to undertaking work. This could be managed through formal, landscape scale agreements with Natural England and or the Environment Agency to allow for easier positive land use change and changes to waterways to support natural flood management both of these being permitted activities.
- One of the challenges for collaboration among neighbouring land owners under current schemes is that they are **competitive**. There is therefore a disincentive for applicants to tell neighbouring land managers that they are entering into the scheme, or indeed discussing the possibility of collaboration.

- In addition to facilitation, providing incentives to land managers directly, through mechanisms such as **agglomeration bonuses** and **group supplements**, was felt to encourage participation and be more attractive to farm businesses, regardless of their personal motivations for the environment.

7. Responsibility to animals

Consultation Questions

Do you think there is a strong case for Government funding pilots and other schemes which incentivise and deliver improved welfare?

Should Government set further standards to ensure greater consistency and understanding of welfare information at the point of purchase? Please indicate a single preference of the below options:

- Yes
- Yes, as long as it does not present an unreasonable burden to farmers.
- Perhaps in some areas.
- No, it should be up to retailers and consumers
- Other (please specify)

***if you answered 'perhaps in some areas', please elaborate.**

What type of action do you feel is most likely to have the biggest impact on improving animal health on farms? Please rate your top three choices from the below list, in order of importance:

- Use of regulation to ensure action is taken
- Use of financial incentives to support action
- Supporting vets to provide targeted animal health advice on farm
- Making it easier for retailers and other parts of the supply chain to recognise and reward higher standards of animal health
- An industry body with responsibility for promoting animal health
- Research and knowledge exchange
- Transparent and easily accessible data
- An understanding of animal health standards on comparable farms
- Other (please specify)
- N/A – cannot rank as they are all equally important.

How can the Government best support industry to develop an ambitious plan to tack endemic diseases and drive up animal health standards?

Key points

- High animal health and welfare standards are a public benefit and so should be supported. The public demand and expect high welfare standards but the full costs are not met by the market. This could be addressed through capital payments to improve infrastructure or multi-annual payments for delivering on-going high biosecurity practices.
- Although the consultation separates health and welfare into different sections they are inextricably linked and cannot always be separated and should be considered together.

- There are additional public goods delivered by improving health and welfare standards including reduced environmental impact through more efficient use of resources and reduced anti-biotic use minimising the incidence of anti-microbial resistance (AMR).

Case for supporting animal health and welfare on farms

The discussion should focus on the case for supporting animal health and welfare, rather than welfare alone. There are already high baseline standards of welfare with a strong regulatory baseline, implementation and enforcement of standards across all sectors in the UK that are now expected in domestic markets and of value in export markets. However, consumers are not always willing to pay for the full costs of meeting regulations putting UK producers at a competitive disadvantage compared to imported products with lower standards. The public benefits of high health status on farms come from less waste, lower environmental impacts, and public health benefits from reduced anti-microbial use, in addition to reduced tax payer costs for compensation schemes.

This could be managed through a contract mechanism with appropriate funding levels for both multi-annual payments to recognise on-going delivery of high standards, and capital payments to improve infrastructure such as buildings, handling facilities, ventilation or accommodation, enriched production systems or high health programmes and veterinary advice.

Making public good payments for animal health and welfare are not well established, so pilots schemes would allow testing of the actions, relationships to existing schemes and public benefits to enable setting sensible payment levels and metrics.

Setting industry standards for production methods for clearer consumer labelling

Setting standards for production methods for consumer information may be desirable to allow informed choices, but it is not straightforward, not least because of varying consumer perceptions. The only production method that is defined in law is organic, all others are voluntary or marketing standards. There is a need to protect consumers from misleading marketing claims, and there may be benefits to providing clearer labelling to aid consumer choice. However, there are many different production methods with different welfare and environmental impacts and trade-offs. Any additional labelling could add to consumer confusion. The key point is that the baseline level of animal welfare in UK production is already high and set in regulation, and there are already a number of standards that are recognised across the supply chain such as Red Tractor and RSPCA Freedom Food so any future labelling scheme would need to be carefully designed with the industry stakeholders, building on those already in existence such as those in the pig industry.

Most important actions to improve animal health

The UK has a well-developed policy on animal health including legislation, surveillance and monitoring, research, information provision and compensation schemes. The challenge to improve animal health has benefits along the supply chain from farmers to consumers as well as a range of environmental and social benefits. There are a number of schemes that deliver improved animal health, for example, BVD free and Cattle Health Certification Scheme, developed collaboratively with farmers, vets and the supply chain. These are good examples of industry led actions that will improve the health status. These could be further developed

through providing incentives to register with the schemes, such as a multi-annual payment to help cover the costs of veterinary advice and management changes to become accredited. Although the majority of livestock keepers already use veterinary advice regularly, incentivising vaccination programmes, improved feeding and breeding procedures alongside this advice will result in improved standards of health.

A body to promote animal health would be of value to the industry to set the vision and objectives and provide co-ordination of R&D and build awareness and knowledge through dissemination of information and data analysis. Farmers' access to transparent data has an important role to play in improving animal health on farms. Information relating to disease threats and incidence around localities could also allow farm businesses to take preventative action where they see it as suitable. Increased periods of risk and early warning systems would also aid livestock keepers to improve health standards on farms. The details of how this would work in practice and the demands on the sectors will require further industry consultation.

Government support to tackle endemic diseases and drive up animal health standards

Endemic diseases in livestock costs the Government and farmers a significant amount every year. It must be a Government priority to continue the monitoring and surveillance and current reporting and compensation and assess additional requirements given the change in status within the EU. The ambition must be to reduce overall incidence of disease and this could be supported by incentives to farmers to engage in high health actions as part of delivering public benefits. Multi-annual contractual payments targeting actions including veterinary advice visits, disease testing, vaccination costs and other measures instigated by collaboration between livestock keepers and vets would improve health standards and offer the long-term incentives to ensure widespread adoption.

8. Supporting rural communities and remote farming

Consultation questions

How should farming, land management and rural communities continue to be supported to deliver environmental, social and cultural benefits in the uplands?

There are a number of challenges facing rural communities and businesses. Please rank your top three options by order of importance:

- a) Broadband coverage
- b) Mobile phone coverage
- c) Access to finance
- d) Affordable housing
- e) Availability of suitable business accommodation
- f) Access to skilled labour
- g) Transport connectivity
- h) Other, please specify

With reference to the way you have ranked your answer to the previous question, what should Government do to address the challenges faced by rural communities and businesses post-EU Exit?

Key points

- Remote rural communities often have poorer services, fewer diversification opportunities and in upland areas less productive soils. These communities have value in their own rights but also have huge potential to provide public benefits such as flood risk mitigation, carbon storage and cultural heritage.
- Develop a new national strategy for the uplands. This should be informed by local knowledge and experience and should be sufficiently flexible to accommodate the rich diversity of these areas.
- Improving infrastructure, especially telecommunications, addressing failures around planning and providing alternative incomes through commercial forestry and environmental enhancement could ensure these areas thrive.
- If the agricultural transition is managed poorly and future environmental land management schemes are not sufficiently attractive, rural poverty could increase and these communities lost.

Supporting farming, land management and rural communities in the uplands

The Government's key economic objectives are increasing productivity and the furtherance of economic growth. This is explicitly stated in the Government's Industrial Strategy white paper. However, this must be consistent across all economic sectors, whether they be rural or urban focused. The command paper provides the opportunity to put in place the right policies and

mechanisms that resolve the challenges faced by rural communities and removes the barriers for rural business.

For remote areas, this requires an overall strategy, particularly for the uplands where so many of the relevant issues come to a head. This should be informed by local knowledge and experience and should be sufficiently flexible to accommodate the rich diversity of these areas. Agricultural incomes in upland areas have been declining and many farms are considered to be non-economic in that their income from agriculture is often negative without direct support from the Government. This is true for even the best performing farms.

Land managers in these areas continue to shape England's most iconic landscapes, heritage and environment. It is therefore important these land managers are retained, even if their activities change somewhat.

Future environmental schemes have the potential to make an important contribution to businesses but there may be a need to give more explicit consideration to the incomes of upland land managers, recognising the risks of land abandonment and rural depopulation if the farm units are unprofitable. The Government should develop a system where high management conditions are required in return for a level of support that ensures these land managers can continue to serve the communities and environment whilst also producing high quality food. This requires more than income forgone. If your income is negligible, income forgone is not much of an incentive.

The command paper makes no reference to commercial forestry and the potential contribution this could make to remote rural areas. If effectively incentivised and supported with advice there is huge potential for responsible commercial afforestation to compensate for reduced agricultural incomes.

Key challenges facing rural communities and businesses

The three most significant challenges for remote areas are:

- Telecommunications (both fixed and mobile broadband). The two need to be taken together as one;
- Effective planning reform is absolutely vital in enabling rural businesses to develop and ensure their long-term viability, through sustainable development;
- Housing in general, not just 'affordable', is a key requirement for supporting effective business development and bringing new skills and labour into the countryside.

Other challenges should not be ignored with poor rural transport and high costs of accessing markets a major issue in some areas. The importance of the landscape and the land management that maintains it, is of crucial importance, but the economics of farming can be poor on marginal land. Rural crime should also be highlighted as a challenge that is not always adequately dealt with.

Telecommunications

The provision of effective and modern infrastructure is fundamental to the continued vibrancy of rural communities. Whilst this can include a number of different challenges, including transport

connectivity, the first priority is the provision of a 21st Century telecommunications network where everyone, irrespective of location, has access to universal, reliable and affordable broadband connectivity.

Businesses able to exploit modern, state of the art, telecommunications thrive by adding value to their products or processes and often having a marketing edge. For many rural businesses this is not possible because there remains insufficient connectivity in rural areas. The rural – urban digital divide still exists. This dampens growth, reduces productivity in rural businesses and makes it harder to attract working people into the countryside.

The provision of a Universal Service Obligation in 2020 will be the key tool in ensuring universal coverage but the impact of this change will not be felt for some time. There needs to be an equitable balance between the needs of rural communities and those in the industry that intend to deliver broadband services. There remains a dearth of effective mobile coverage in rural areas, as underlined by the Ofcom Connected Nations 2017 report. Whilst efforts are being made to increase the deployment of mobile networks, assisted by the revised Electronic Communications Code, these will only prove to be successful if there is a fair balance between the rights of landowners in providing new sites and the needs of the mobile network operators. If there is no balance or none can be achieved, then the opportunities that should be gained from providing extensive rural broadband will be lost. What is required from the Government is a commitment that it will intervene as necessary where this market imbalance prevents the deployment of mobile connectivity in rural areas.

Housing and Planning

The draft changes to the National Planning Policy Framework (NPPF) are vital for rural housing that extend to creating opportunities for business growth and change. In the right circumstances, land outside of existing settlements can play an important role in meeting the housing and business needs of a rural community. By adopting this new policy direction, the Government has set out a more proactive attitude to how planning authorities should treat development opportunities outside of towns and villages which should be commended.

The proposed changes are significant. Not only has the Government proposed entry level sites as another means of providing affordable homes, it has also recognised rural exception sites as appropriate development within the green belt. These small areas of land, which are not normally used for housing but where affordable homes can be built for local people, give all rural communities the ability to build the homes that are desperately needed while keeping them affordable in perpetuity.

But, if rural communities are to benefit from these important planning policies, the planning system that underpins these policies must be drastically changed so that it becomes cost effective, efficient and effective and actively works to drive sustainable reinvestment into rural businesses of all types. It is so overwhelmingly complex and expensive at the front end, and with absolutely no guarantee of a positive outcome, many land managers decide that it is simply too risky to apply for planning permission. The net effect of this is low growth and productivity in our rural economies. The Government should introduce a Permission-in-Principle process designed specifically for farm and rural-based businesses with such a process in place, the planning

system actively and positively drives sustainable economic growth, new jobs, new homes, growth and productivity into our rural economies and our rural communities.

The CLA recognise the importance of delivering the Industrial Strategy as well as the importance Government attaches to it. Under the present system, the final decision regarding the use of rural funds under the growth programme are taken at a national level by the Rural Payments Agency (RPA). Although Local Enterprise Partnerships (LEPs) advise on which projects should be allocated funding, there appears to be no consistency in approach. It is very questionable whether these decisions fully take into account the actual needs of local areas in promoting genuine rural economic growth. Indeed, the current structure under EU regulations does not lend itself to either effective policy nor efficient decision making and the optimum use of public funds.

However, the UK Shared Prosperity Fund provides the Government with a unique opportunity of putting in place a new structure that fully takes into account the actual economic situation in a local area. A new delivery mechanism is needed where responsibility can be devolved, from central Government to locally accountable bodies, thus meeting the Government's committed to localism, and where delivery is appropriate for effective policy outcomes. We believe that it is incumbent upon Government to use the Prosperity Fund to achieve the objectives set out in the Industrial Strategy by both engaging with business at the local level as well as devolving real responsibility to local institutions.

9. Changing regulatory culture

Consultation questions

How can we improve inspections for environmental, animal health and welfare standards? Please indicate any of your preferred options below.

- a) Greater use of risk-based targeting
- b) Greater use of earned recognition, for instance for membership of assurance schemes
- c) Increased remote sensing
- d) Increased options for self-reporting
- e) Better data sharing amongst Government agencies
- f) Other (please specify)

Which parts of the regulatory baseline could be improved, and how?

How can we deliver a more targeted and proportionate enforcement system?

Key points

- The proposed direction of travel for greater integration, reduced burden on participants and more proportionate penalties in a new regulatory approach is correct. A recognition of these burdens afflicting the current system of farm support is welcome and an important first step in embracing a partnership approach between Government and land managers.
- The review to be undertaken by Dame Glenys Stacey and announced in the consultation document is to be welcomed.

- Any changes to the regulatory baseline should have specific consultation. It is crucial that stakeholders affected by any proposed changes have adequate time to review and feedback their views and reactions so that these can be considered by relevant decision makers.
- Unnecessary consequences of changing the regulatory culture should be avoided. For instance, a risk-based approach should be taken regarding enforcement, however care should be taken to avoid placing overwhelming burden on participants who fail a regulatory inspection but earnestly intend to improve their performance.
- There is a significant amount of time and responsibility required to inspect and audit actions performed as part of a land management agreement. While greater flexibility is welcome, potential tools, such as self-auditing, can impose time constraints and extra work on agreement holders. Self-audits should be an optional way of completing inspection requirements but there should be choices available for agreement holders so as not to dissuade participation or put in place a process which negatively impacts productivity.
- Any new regulations should be evidence and science based to encourage innovation and investment in new technologies that can deliver sustainable farming and forestry.

Principles for a cost-effective inspection programme

The direction of travel set out in the consultation document is correct.

Regulatory enforcement should be risk-based, supported by information and advice follow principles of earned recognition. There should be clear processes for those who do not meet the regulatory standards depending on the severity of the incident.

Measures such as self-audits have potential to improve the regulatory culture, but they can also place an increasing burden on land managers to the detriment of productivity and their business' performance. Greater flexibility should be encouraged but imposing measures such as self-audits would likely lead to the dissatisfaction of participants who do not wish to take over regulatory inspections as an 'in-house' function of their business.

The CLA's preferred options for inspections are as follows:

- B. Greater use of earned recognition, for instance membership of assurance schemes
- A. Greater use of risk-based targeting
- E. better data sharing amongst Government agencies
- F. Other: Greater flexibility for participants
- D. Increased options for self-reporting
- C. Increased remote sensing

These preferences reflect a desire to see inspections that are equitable, avoid the duplication of time and resources, rely on a higher level of trust between participants and administrators and minimise the onus placed on participants as a key means of encouraging scheme uptake, and therefore public good delivery.

Regulatory baseline

CLA research of its members suggests that the regulatory baseline itself is regarded as reasonable in most situations, but other such as the Environmental Permitting Regulations are often overburdensome and achieve little. There is no desire to reduce standards, but the enforcement must be proportionate. The concern is far more with the inspection and enforcement regime which is widely considered faulty.

Having said that, the regulatory baseline could benefit from simplification. The current approach lacks adequate levels of coordination between government bodies and creates a system which is complex and hard to navigate for land managers. Having a clearly communicated, easy-to-access and simple to understand tool for all people affected by land management regulation should be one of the objectives.

Any change to the regulatory baseline going forward must seek additional input and be consulted on in good time.

Any regulations must be evidence-, risk- and science-based with appropriate safeguards. This particularly relates to innovation in biological and chemical technology which can support sustainable farming and environmental protection.

Targeted and proportionate enforcement system

Delivering a more targeted and proportionate enforcement system can be achieved through a range of complementary measures. For instance, cross-compliance and agri-environment inspections are currently governed by EU legislation which requires a combination of random and risk-based criteria, with minimum percentages set for inspections agencies.

The current requirement for one-quarter of inspections to be random should be reduced to a 10% requirement and earned recognition form the basis of targeting. There should also be a reduction in the minimum inspection rate, currently set at 5% of all agri-environment agreements. This should be halved to 2.5%, with powers granted to carry out a greater number of inspections only if there is justification to do so from breach data.⁹

⁹ NAO, "Streamlining Farm Oversight," 2012, <https://www.nao.org.uk/wp-content/uploads/2012/12/1213797.pdf>

10. Risk management and resilience

Consultation questions

What factors most affect farm businesses' decisions on whether to buy agricultural insurance? Please rank your top three options by order of importance:

- a) Desire to protect themselves from general risks (e.g. – revenue protection)
- b) Desire to protect themselves from specific risks (e.g. – flooding, pests or disease)
- c) Provision of Government compensation for some risks
- d) Cost of insurance
- e) Complexity and administrative burden of insurance
- f) Availability of relevant insurance products
- g) Other (please specify)

What additional skills, data and tools would help better manage volatility in agricultural production and revenues for (a) farm businesses and (b) insurance providers?

How can current arrangements for managing market crises and providing crisis support be improved?

Key points

- Lack of industry demand is currently the largest barrier to achieving greater uptake of income volatility insurance and this may not change under current support systems.
- During the transition period there is an opportunity for stakeholders to investigate and develop new products to build resilience into farming businesses. The Government has a role to facilitate this, Government by providing evidence or through the availability of more granular data.
- Tools and options for managing volatility should be continued and improved upon, including greater coordination between currently conflicting Government policy. For instance, while income diversification is encouraged, it is often disincentivised by tax policy implications.
- Regarding market crises and crisis support, there is an imperative to transfer over the Common market organisation (CMO) regulations to enable adequate UK Government response and support in times of crisis.

Factors affecting decisions to buy insurance products

The following factors are the three most important in affecting farmers' decisions to buy agricultural insurance.

- D. Cost of insurance
- F. Availability of relevant insurance products
- G. Other: Earned recognition and data sharing

While a number of contextual factors influence the take-up of agricultural insurance in the UK, such as the relative rarity of extreme weather events and the potential size of the insurance market, the largest barrier to greater coverage is demand. Farm businesses will purchase insurance where it makes financial sense to do so. The cost of insurance is therefore the most important place to start when addressing demand. Either the costs are too high, or the perceived

benefits are too low for the costs to appear attractive. Insurance products will not be the most appropriate way to manage risk in every circumstance, however there is certainly a place for insurance products in managing risk.

Underlying data is key to the creation of insurance products. Government can facilitate the creation of new and innovative insurance products by investing in research, publishing robust datasets, and data collection for key farm production risks.

Managing volatility in agriculture production and revenues

Income volatility is a major issue for many farming businesses that are exposed to commodity prices, variable weather and other extreme events such as major pest and disease outbreaks. For many businesses the direct payments have provided a secure cushion for income volatility, but in the future, this will not be available and other options may become more attractive. Farm businesses manage volatility in a range of ways and a toolbox of measures is needed to match different circumstances. Current practices such as tax averaging and income diversification are a foundation, but these and others could provide greater choice and improved resilience.

- Tax averaging and specific attractive tax-free savings options
- Remove barriers to income diversification through grants, loans, advice and training and a more co-ordinated approach throughout government policy making. For example, receipt of Agricultural Property Relief (APR) and Business Property Relief (BPR) is jeopardised by having diversified income streams.
- Training and advice on income resilience measures such as futures trading and options.
- Addressing problems of fairness in the supply chain.

Managing market crises and providing crisis support

Current approaches to managing market crises and providing crises support should be continued and improved upon going forward.

To do so, the Common Market Organisation (CMO) regulations are crucial – as they make provision for government intervention in times of crisis – and should be carried over following the UK’s leave of the EU. The CMO regulations also make it possible for specific support schemes, such as school milk, beekeeping and fruit and vegetable Producer Organisations (POs) to exist. These structures should be retained. Not only do they have a role in creating resilience and managing risks, these structures – notably POs – also contribute directly to complementary government objectives, such as improving industry productivity and competitiveness and increasing farm business collaboration.

This approach however must be balanced and its objectives should be improved communication between the Government and farm businesses, as opposed to a wholesale transfer of responsibility for all crises. Ensuring that farm businesses have clear messages from Government, time to plan and the tools needed to make effective decisions, industry could increase its resilience to shocks and crises.

11. Protecting crop, tree, plant and bee health

Consultation questions

Where there are insufficient commercial drivers, how far do you agree or disagree that Government should play a role in supporting:

- a) Industry, woodland owners and others to respond collaboratively and swiftly to outbreaks of priority pests and diseases in trees?
- b) Landscape recovery following pest and disease outbreaks, and the development of more resilient trees?
- c) The development of a bio-secure supply chain across the forestry, horticulture and beekeeping sectors?

Where there are insufficient commercial drivers, what role should Government play in:

- a) Supporting industry, woodland owners and others to respond collaboratively and swiftly to outbreaks of priority pests and diseases in trees?
- b) Promoting landscape recovery following pest and disease outbreaks, and the development of more resilient trees?

What support, if any, can the Government offer to promote the development of a bio-secure supply chain across the forestry, horticulture and beekeeping sectors?

Key points

- Only the Government has the resources and authority to lead and co-ordinate a national response to a pest or disease outbreak, working in partnership with the private sector.
- Only the Government has the resources and authority to deliver changes to create a more bio-secure supply chain.

Role of Government in supporting prevention, response and recovery from pests and disease outbreaks

Food and timber are private goods and their provision is a private service rewarded by the market. It therefore follows that it is incumbent upon the service providers to operate in a manner that reflects good practice in pest and disease prevention and to collaborate both with each other and government to manage and hopefully eradicate pest and disease outbreaks.

However, animal and plant pests and diseases not only threaten individual landowners' ability to produce food or timber, but also the nation's food and timber security as well as the natural environment. Moreover, as pests and diseases operate across ownership and national boundaries and land ownership in the UK is diverse and fragmented, it is therefore essential and entirely legitimate that government and its agencies should take a lead in instigating and supporting responses to outbreaks of pests or disease that threaten national food or environmental security.

Even if an outbreak is discovered early and is confined to a small area, only the Government has the resources and authority to lead and co-ordinate a national response, crucially organising any requirement for further surveillance to establish the real extent of the outbreak.

In the case of trees and woodland in the 25 Year Environment Plan the Government states:

“The value of natural capital is routinely understated. If we look at England’s woods and forests, for example, as a national asset, using a natural capital approach, the value of the services they deliver is an estimated £2.3bn. Of this sizeable sum, according to a recent study, only a small proportion – 10% – is in timber values. The rest derives from other benefits provided to society, such as human recreation and carbon”

This would suggest that the Government, as a steward of the environment on behalf of society should bear up to 90% of the responsibility and costs of protecting this natural capital asset.

Similarly, with bee health, whilst honey bees are generally private property and have a value to both their owners and individual farmers, they are only one of many wild pollinators that play a vital part in ensuring the nation’s food and environmental security. It is therefore important Government takes a leading role in both policy planning and delivery on bee and pollinator health.

Whilst it is important that the Government take a lead in this area it is important to note that responses to threats are most effective when the private sector is engaged at the earliest stage. Usually the owners of the trees, who currently and in the long-term are likely to bear the brunt of the costs, and who often have greater expertise in the practicalities of delivery.

The increased incidence of serious pests and diseases in trees has meant that the most recent lessons learnt about addressing pests and diseases are tree related.

The development of the excellent Plant Risk Register was a direct result of appearance of *Chalara fraxinea* in the UK; and *Chalara* whilst undoubtedly a disaster for the UK’s ash trees has prompted several positive developments in the UK’s approach to tree health which could be replicated more widely.

The greater importance and resources being devoted to tree health within Defra has paid real dividends in improving the UK’s ability to address the increased threats.

The establishment of several public and private forums for the development and implementation of tree health policy/strategy at a local, national and UK level has raised the level of knowledge of tree pests and diseases and promoted significant private sector engagement.

Outreach by Forest Research and by the various tree and forestry organisations including the CLA has significantly improved tree health awareness amongst owners and practicing tree and forestry professionals at all levels.

The development of contingency plans for the pests and diseases identified as high risk by the PHRR will hopefully enable an improved response to future threats and the soon to be published Tree Health Resilience Plan will hopefully pull together the various strands required to help protect our trees.

Given the reality that we are unlikely to be able to prevent all future pests and diseases entering and becoming established in the UK, creating a more resilient tree-scape is the most important step we should be taking.

It is also worth noting that the number of ash trees that will die over the next few years exceeds the Government's aspirations for new tree planting. This will lead to a diminution of the natural capital asset of woods and trees. It is therefore important that the Government incentivises a significantly increased level of tree planting focussed on maximising delivery and whilst not planting the wrong tree in the wrong place abandoning the mantra of the right tree in the right place.

Role of the Government in developing bio-secure supply chains

The development of more bio-secure supply chains within the UK and with our international trade partners can only be a good thing and again as the Government control many of the levers and mechanisms for enabling the change they should take a lead, along with support and building upon some of the private sector initiatives (such as the work by the HTA) already being developed. It is also important than when considering bio-security measures that they are evidence led and practical, while actually address the main vectors in the spread of pests and diseases, so it is pointless to focus on washing boots if the main vector is the wind or a flying insect. It is also counterproductive if the measures introduced are so costly or onerous that they effectively shut down the supply chain they are supposed to be protecting. The current UK agency proposals for Timber Passports to be implement in the EU are an example where the proposed measures are impractical and disproportionate.

12. Ensuring fairness in the supply chain

Consultation questions

How can we improve transparency and relationships across the food supply chain?

Please rank your top three options by order of importance:

- a) Promoting Producer Organisations and other formal structures?**
- b) Introducing statutory codes of conduct?**
- c) Improving the provision of data on volumes, stocks and prices etc.?**
- d) Other (please specify)?**

What are the biggest barriers to collaboration amongst farmers?

What are the most important benefits that collaboration between farmers and other parts of the supply chain can bring?

How could Government enable this?

Key points

- Government must take action to address the market inequalities in the food supply chain. This includes improved market data provision across all sectors that is comprehensive and accessible, addressing unfair trading practices used by some suppliers and buyers through a statutory code of conduct, and support for the continuation of producer organisations.

- Collaborative working and integrated supply chains has the potential to improve productivity in some sectors, but it is not the right solution, or available, to every business so cannot be a panacea.

Improving transparency and relationships across the food supply chain

Ensuring fairness in the supply chain requires government actions to drive improved practices and address the market inequalities present in the food supply chain.

For farming, improved market transparency and awareness of consumer trends to enable informed production decisions is essential. To be of value this information needs to be comprehensive and easy to access from a range of platforms.

Producer Organisations (POs) have been successful in the fresh produce sector, delivering increased economic investment, improved productivity growth and a range of other benefits from collaborative working, including cost reductions. According to the EU Agricultural Markets Task Force in their 2016 report on 'Improving market outcomes: Enhancing the position of farmers in the supply chain':

*'[POs and cooperatives] can be agents of innovation in the supply chain, thereby contributing to its smooth functioning and adequate responsiveness to consumer demand and societal preferences. They can increase their sectors' competitiveness and sustainability and ensure long-term investment and innovation thanks to improved security in market outlets.'*¹⁰

Not only do POs provide benefits to producers themselves, the sector, consumers and the wider economy, they enable collaboration and greater supply chain efficiencies through exemption from certain aspects of competition law.

POs should be continued and adapted to expand to other sectors with funding made available for their establishment, as with the current Fruit and Vegetable Regime.

However, many farmers are still unaware that the ability to create POs exists, or what benefits doing so might present. The EU "Milk Package" 2016 report summary emphasises that:

*'[POs] have not yet reached their full potential, notably due to insufficient knowledge of farmers on the goals, implications and advantages deriving from joining into POs. The report concludes on the need to embark on awareness raising actions at different levels to spread the benefits of producer cooperation and to share experiences and best practices.'*¹¹

Along with continuing the existence of POs and expanding eligibility for their use to other farming sectors, the Government should seek to maximise the potential value presented by POs and

¹⁰ p.40, EU Agricultural Markets Task Force, 2016. Improving market outcomes: Enhancing the position of farmers in the supply chain. https://ec.europa.eu/agriculture/sites/agriculture/files/agri-markets-task-force/improving-markets-outcomes_en.pdf

¹¹ European Commission, 2016. *Development of the dairy market situation and the operation of the "Milk Package" provisions*, Brussels. https://ec.europa.eu/agriculture/milk/milk-package_en

encourage their use by disseminating information and publicising the benefits they can bring. Those who already have experience working within a PO are best placed to inform and inspire others in farming to engage in collaborative opportunities for the range of benefits they can bring.

In the absence of the extension of the remit of the Grocery Code Adjudicator to cover primary producers, a statutory code of conduct is essential to deliver improved practices, but only if it can be enforced.

Biggest benefits and barriers to collaboration amongst farmers

Based on the results from the CLA survey of members with over 1000 respondents, there is collaboration in farming with 88% working together on farm production and 65% within the supply chain. In both cases there was a high proportion of informal collaboration (60% and 46% respectively) – that is collaboration without any form of written agreement – and many collaborate in more than one way.

While there is a place for informal working together, many of the barriers to more collaboration that were identified – fairness of shared effort and concern about damage to machinery – could be addressed by moving towards a more contractual basis where roles are clear and there is a mechanism for dispute resolution.

Tax barriers were also mentioned, in particular related to buying equipment with neighbours where the tax allowance cannot be split, and therefore either one party has to buy or a separate entity has to be created to own the equipment.

What is clear from the results is that collaboration is happening and it isn't just about driving efficiency and reducing costs, it is also about building networks, reducing risk and bringing new knowledge and skills to the business.

Government actions to enable more collaboration

Producer Organisations should be continued for the fruit and vegetable sector where they have been very successful in delivering improved collaboration, market information and added value at a farm level, as well as greater market efficiencies. The concept should be extended to other sectors and encouraged through the provision of advice and professional facilitators in the initial set up phase.

POs are also exempt from certain aspects of competition law, which can otherwise prevent or dissuade farm businesses from working together for mutual benefit. These exemptions are crucial legal protections and should be incorporated into UK POs, but they are also representative of the type of actions UK Government should pursue, namely removing barriers to and perceived threats from collaborating.

Review and simplification of tax incentives for collaboration should also take place.

Part 3: The framework for our new agricultural policy

13. Devolution: maintaining cohesion and flexibility

Consultation questions

**With reference to the principles set out by JMC(EN) above, what are the agriculture and land management policy areas where a common approach across the UK is necessary?
 What are the likely impacts on cross-border farms if each administration can tailor its own agriculture and land management policy?**

Key points

- The CLA recognises the importance and supports the establishment of a principle - based framework to underpin the agriculture and land use sector. However, the ‘framework’ not only needs to consider the policy, but also the practical mechanisms needed to deliver the framework.
- A common approach will be required for a number of areas including agricultural support and some regulatory areas such as fertilisers and pesticides. The intention should be to avoid creating internal market barriers and distortions while still allowing devolved implementation.

Key agricultural and land management policy issues

The principles of the common framework as set out by the JMC (EN) cover all the main requirements, and the CLA welcome the intention to respect devolution settlements and democratic accountability.

The CLA has contributed to the Secretary of State for Wales’ Expert Implementation Group and has been involved in the work to develop an understanding of what areas of ‘returning EU law’ may require a common approach through legislation and where other solutions may be possible – this influenced the UK Government announcements in recent weeks. We accept that some of the key areas identified in the list as areas where there is a need for a common approach:

- Agricultural support
- Animal welfare standards
- Animal and plant health and traceability
- Fertiliser, pesticide and vet and med regulations
- Genetically modified organism’s approvals marketing and cultivation
- Organic farming
- Food labelling

However, much more detail is required to fully understand the scope and depth of any potential framework. For example, definitions and boundaries for terms such as agricultural support and what is meant by a common approach – it does not necessarily mean UK-led legislation. Commonality can be achieved across the devolved nations through agreeing principles but legislating separately and concurrently in their respective legislature. This approach offers a means to balance the standards needed to create the trade platform without distorting the ability to develop a bespoke and appropriate policy solution.

Of equal importance is the mechanics of how this will work and there are a number of fundamental political questions that need to be resolved before there is clarity.

- What institutions need to be realigned/created to deliver the new policy? Will these work on an England / UK basis?
- Where will ministerial accountability lie in the short and longer term
- What is the inter-Governmental dispute resolution process?
- How/where will borders with the Republic of Ireland lie?

Possible impacts on cross-border farms if policy implementation is different

There is already precedent of divergence in many agriculture and land management policy areas within the current CAP implementation and while there are some recurring difficulties for many of those businesses, there are agreements and a number of Memorandum of Understanding in place to overcome this. In the post Brexit world, divergence is likely to continue, and similar means would be expected to deal with any issues. The impact that any significant deviation or a difference in application of the transition period could cause major issues and must be addressed in order to avoid adverse impacts on the cross-border businesses.

14. International trade

Consultation questions

How far do you agree or disagree with the broad priorities set out in the trade chapter?

How can Government and industry work together to open up new markets?

How can we best protect and promote our brand, remaining global leaders in environmental protection, food safety, and in standards of production and animal welfare?

Key points

- Trade relationships are vital for rural economy for food, tourism, transport and other local services.
- The right trade conditions for profitable and productive agricultural are securing bilateral free movement of goods and labour.

Priorities for trade

The CLA agrees with the general objective of the Government in seeking a Free Trade Agreement (FTA) with the EU. But whilst most attention has been placed on tariffs and customs checks a number of other issues must be considered as part of a UK/EU FTA:

- Agreement must be reached on the future of Tariff Rate Quotas (TRQs) that are currently in place between the EU and other countries post Brexit; These need to be based on the market share of the UK and the EU for each respective TRQ and allocated proportionately.

- Any FTA must ensure existing geographical indicators for unique goods such as Welsh lamb continue to apply and future UK food products that are granted protected status must also be protected within the EU market to avoid imitation products being produced;
- Regulatory structures must give UK farmers the flexibility to decide whether to continue to maintain a close trading relationship with the EU or seek to access new markets;
- Clear structures and processes must be put in place to resolve disputes – a failure to do so will result in disruption to trade and increase costs for businesses and consumers.

The UK's trade relationship with the EU

As a Member State of the EU, the UK is able to benefit from free access where there are no tariff barriers and where trade is unhindered. In addition, the EU has in place a Customs Union where a common customs tariff is placed on imports from third countries. But when the UK leaves the EU it will leave the EU customs union. In order to avoid a legal vacuum, the UK will need to decide what its new trading relationship will look like after it has left the EU customs union. Essentially, it has two options: to agree a bilateral FTA with the EU; or adopt WTO tariff measures under its Most Favoured Nation status.

If the UK and the EU were unable to agree an FTA before the end of the Article 50 negotiating process, the impact on the food and farming sector would be significant. Tariffs would be imposed on UK exports by the EU with the UK likely to follow suit on EU imports, leading to higher import prices for food and farming goods resulting in significantly higher food prices with the resultant impact on inflation.

An even worse situation would arise if the UK adopts a unilateral policy where food imports into the UK faced no tariffs at all. This would allow substantial increases in food imports from non-EU countries that would now benefit from a policy of zero tariffs. The result would be significant increases in supply that would force down the returns to farmers and put their businesses at serious risk. This has to be avoided at all costs.

The Customs Union and the Single Market

The UK has already stated that it will leave the EU Customs Union when it leaves the EU. This is simply a legal fact within the WTO framework. However, what needs to be resolved are the types of customs arrangements that will apply within an FTA.

It is inevitable that the UK will have to abide by the rules of some form of customs arrangement, whether it be a formal customs union or a more flexible partnership. Importantly, these rules will have to conform with the WTO framework. However, it is questionable whether the partnership paper submitted by the UK Government meets the conditions of trade between two or more parties.

The potential for market disruption and restructuring – Tariff Rate Quotas (TRQs)

The UK's agrifood trade policy has to be both sustainable and effective, the foundations of which should already have been agreed by Government and submitted to the WTO. The necessary trade options should already have been submitted for consideration to the WTO, although it would have been helpful if they had the tacit approval of the industry. These trade options as

part of the UK's WTO Schedule of Concessions will form the essential starting point for trade negotiations between the UK and EU, as well as those with other countries, and practically will need to be decided long before the end of the Article 50 process.

The importance and impact of Tariff Rate Quotas (TRQs) on food supply chains cannot be underestimated because of their effect on market access. As we have seen the UK and the EU have come to a preliminary agreement as to their future allocation and, despite reported criticism from some WTO members, which clearly sets out these countries' opening negotiating positions, the CLA believes that there will be less opposition simply because their primary concern will be to retain, and where possible enhance, their current market access.

But what this means is that the UK needs to ensure that access to the UK market is not impaired for any non-EU trading partner. This necessarily leads to assessing the impact on domestic supply balances and the consequent effect on the farming sector as well as the need to retain negotiating capital for trade negotiations with both the EU and others.

If there is a trade agreement between the UK and EU that maintains existing levels of access to each other's markets the future impact on domestic supply is likely to be negligible. But where there is no agreement, leading either to the imposition of tariffs or the UK deciding to unilaterally eliminate tariffs, the effect on the domestic market will be substantial. We see both scenarios as being in the worst possible interests of UK producers and must be prevented.

Table 1: Changes to Domestic Supply Balances and Prices

	Bilateral Application of EU MFN Tariffs by UK & EU		Unilateral Tariff Elimination by UK	
	Supply Change (tonnes)	Price Change - %	Supply Change (tonnes)	Price Change - %
Beef	- 220,000	25%	88,000	-9%
Lamb	74,000	-23%	86,000	-26%
Pork	- 62,000	6%	15,000	-1%

Source: CLA

In the event of a supply surplus, as highlighted in the lamb sector, the lower domestic market price is likely to lead to trade being diverted to a market where returns are greater.

However, the price effect will be very much dependent on the scale of any trade diversion, the reaction on domestic retailers and the Government's policy on food pricing.

But, conversely, there is the risk of substantial supply shortages and price rises with certain products following Brexit if an FTA cannot be agreed. These higher prices would make the UK market relatively more attractive and induce trade diversion to the UK. Addressing potential shortages and stabilising prices to consumers will require further market opening measures, including the possible introduction of new TRQs. It is clear that the EU will be aware of these trade effects, and it is very possible that it may wait to see what the UK does to address such supply issues.

But what is crucial is that any trade diversion caused by these changes to UK supplies, and corresponding changes in EU supplies, needs to be evaluated for each of the trade policy responses available. With estimates of both the initial changes to supply balances and the effects of trade diversion, the UK would be better able to ensure the optimal market opening of the TRQs and as a result balance market access.

Table 1 highlights the lamb sector as being most under threat in the event of no trade deal being reached or a unilateral elimination of tariffs. With 95% of current lamb exports going to the EU, high tariffs will significantly curtail the opportunities for export. This will increase supply on the domestic market, which will be exacerbated by any future TRQ on the import of New Zealand lamb.

As this is likely to be more price competitive than domestic production, the effect will be to squeeze domestic prices and putting many UK lamb producers at significant risk of going out of business with damaging implications for upland environment and landscape management, particularly in Wales. If this was the case, the Government could directly intervene which would lead to a substantial restructuring of the rural economy. However, without any public intervention there is likely to be market failure with significant collateral damage to the supply chain.

But there are two main trade options open to the Government. On the one hand, reducing any advantage the EU may perceive in not reaching an FTA with the UK could be achieved either through opening TRQs with new countries or expanding existing quotas whilst reducing or eliminating any applicable tariff. Alternatively, if the UK wished to maintain current supply chains with the EU it could create new TRQs or reduce MFN tariffs.

The EU should be aware that all the trade policy options open to the UK would offer the EU fewer commercial benefits than would be available if a UK-EU FTA was agreed because, without the preferential market access provided by an FTA, EU goods would compete on the same tariff basis as non-EU goods for a share of the UK market.

A transitional period

The potential negative effect on UK agriculture of trading under tariffs and other barriers with the EU means that there need to be effective transitional arrangements between securing an FTA as the UK leaves the EU and the implementation of a free trade agreement. There must not be a cliff edge faced by farmers and the UK must retain unfettered access to the Single Market whilst remaining within the Customs Union during any transitional period.

In implementing an FTA, transitional arrangements that are put in place must be flexible. There is no need to follow a “one size fits all” approach to a transition period, not all issues are equally difficult or contentious, and not all provisions of an FTA need to be phased.

Agreements on some issues can be implemented immediately, while other issues may be better phased in or out over a period of years. Some issues may have to be left for further negotiations. The elimination of tariffs on bilateral trade, the establishment of a bilateral customs cooperation agreement and legal assurances by the UK for continued adherence with EU regulatory standards could be implemented at the time the FTA is agreed. Identifying and concluding such agreements would provide significant benefits to businesses in both the UK and

EU and they should not be delayed because agreement could not be reached on the whole range of other issues.

Agriculture's primary interest in Brexit is with the provisions covering the trade in goods, not the whole complex of commercial and other issues. The elimination of tariffs, which is the principal benefit of remaining in the EU customs union, could be agreed just as easily in an FTA between the UK and EU, and implemented immediately in 2019. Many of the benefits of membership of the EU Common Customs Code could be replicated in a bilateral FTA, and such an FTA could also provide a means of addressing issues relating to regulatory convergence, and access to labour. This would be fully consistent with the WTO criteria for an FTA, and a transition period for many of these important commercial issues would not be needed.

Realising opportunities to open up new markets

It is too early to determine what sort of trade relationships the UK will have with non-EU countries once the UK leaves the EU. It could very well be the case that the UK is able to sign up to the present 52 EU FTAs with other countries whilst at the same time seeking to negotiate revised or new agreements with these and other countries.

The Government must recognise both the opportunities as well as the potential dangers that exist if it were to explore this route. For example, signing an FTA with a country with lower environmental and welfare standards than the UK presents an opportunity to enforce higher standards as part of the FTA. However, a failure to enforce higher standards as part of the FTA would put the agrifood sector at a significant disadvantage as it would be unable to compete with these cheaper imports.

There is little doubt that when the UK leaves the EU there will remain a period of uncertainty. However, it should also herald an era of opportunity that must be exploited. We believe that the "Great British Food" campaign is an obvious way in which the UK can actually release the potential of British exporters to gain market share in a far more global sense than was possible within the EU. What is crucial is that the opportunities that arise are exploited to their full and are not hamstrung by the present uncertainties regarding our exit from the EU.

15. Legislation: The Agriculture Bill

Consultation questions:

How far do you agree with the proposed powers of the Agriculture Bill?

What other measures might we need in the Agriculture Bill to achieve our objectives?

The list of powers appears sensible but is not detailed enough to allow for much comment. The key needs are for powers that enable the continuation of the current scheme during transition, powers to run the trials and pilots, powers to introduce the new substantive scheme and provision to recognise devolution requirements.

In addition, enforcement powers, together with an ability to challenge enforcement action will be required.

Whilst it may not be possible to give the full details of these powers at this stage, before the pilots etc have been fully designed, they must be as clear and specific as is possible so as to enable farmers and others to have a clearer indication of what is intended and plan accordingly.

Any desire to add provisions that are not necessary as a direct result of Brexit should be resisted. The focus must be on the consequences of Brexit. Anything else will be a distraction when the extent of resources available to devise and debate policy, both inside and outside government are incredibly stretched.

Moreover, additional matters are likely to be contentious and therefore time consuming to resolve.

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