Brexit: Future UK Agriculture Policy

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Summary

Update: The Agriculture Bill was introduced and had its First Reading on 12 September 2018. This briefing will be updated in due course with information on the details of the Bill.

After Brexit (and any transition phase) UK agriculture will be operating outside of the EU’s Common Agricultural Policy (CAP).

This means that a new domestic agriculture policy is needed. It gives the UK Government and devolved legislatures the opportunity to rethink farm subsidies and incentives and the general operating environment for farm businesses. The CAP currently provides nearly £4 billion of support annually to farmers across the UK as well as providing market safety nets.

These developments will come within the context of wider regulatory and trading changes that farmers will face, the impact of which will depend on the arrangements for the UK’s future relationship with the EU.

The key questions around a new UK agriculture policy are therefore:

- How might UK agricultural policy diverge from the CAP?
- How much financial support will the UK Government continue to offer and how will it be allocated across the UK?
- How will UK agricultural support be managed across the devolved nations?
- How will new trade and labour policies impact UK agriculture in concert with any changes in farm support?
- How far will regulation of issues such as food safety, pesticide approval and animal and plant health diverge from the current EU approaches?

Currently, direct CAP subsidies can make up anywhere from 50-80% of a UK farmer’s income and agricultural practices will be sensitive to any change of direction, priorities or funding levels of this support.

The UK Government has pledged to maintain the same cash funds as currently for CAP (for the whole of the UK) until the end of this Parliament which can run until 2022. The allocation and conditions of this support may alter during this time but the UK Government has indicated that it is unlikely to move to any brand new system of farm support until after 2024.

The UK Government’s 25 Year Environment Plan (January 2018) set out plans for a new environmental land management system based on paying farmers public money for public goods (e.g. environmental enhancement), replacing current direct payments to farmers in England from 2024.

An Agriculture Bill is forthcoming which will set out a framework for post-Brexit arrangements for farmers. As a pre-cursor to this the UK Government consulted on the shape of this support and the transition to this new approach via its February 2018 Command Paper, Health and Harmony: the future for food, farming and the environment in a Green Brexit.

The key elements of the emerging new policy for England are:

- The Basic Payment Scheme (BPS) (direct subsidies by area farmed) for 2019 will be paid as normal with some simplification.
• A transition phase of “several years” from farming subsidy to a system of public money for public goods over time whilst limiting some of the largest subsidy payments.

• No lower animal welfare or environmental standards in trade deals

Farming unions and environmental groups have broadly welcomed the initial proposals. Farming unions want any new farm support system to be part of a coherent approach to food production with domestic agriculture policy post-Brexit helping farmers to mitigate volatility and enhance productivity as well as delivering environmental benefits. Environmental groups want to see current funding for farmers maintained to support sustainable land management.

Devolved legislatures have consulted or are consulting on similar approaches and timescales but with priorities tailored to their farming systems:

• Scottish Government, Stability and Simplicity: Proposals for a rural funding transition period, June 2018 (consultation closed 15 August 2018).

• Welsh Government, Brexit and Our Land: Securing the future of Welsh Farming, July 2018 (consultation closes on 30 October 2018)

• The Northern Irish Department for Agriculture, Environment and Rural Affairs (DAERA), Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement, August 2018 (consultation closes on 10 October 2018)

The UK Government has also said that it is seeking a flexible migration policy overall and post-Brexit wants to ensure “access to seasonal agricultural labour”. A new pilot scheme will allow recruitment of some 2,500 non-EU migrants to work in agriculture each year from spring 2019 to December 2020.

The UK produces some 60% of the food it consumes so is reliant on trade to maintain food supplies. The UK imported some £46 billion of food, feed and drink in 2017 and exported some £22 billion worth. The impact of Brexit on agriculture trade will depend on the future trade framework with the EU but Environment Secretary Michael Gove said in January 2018 that he was confident of “building a new economic partnership with the EU” that guarantees tariff-free access for agri-food goods between the UK and EU. The Chequers Deal sets out plans for a common rulebook with the EU for those regulations that are needed for frictionless trade at the border. The Government also aims to increase trade with non-EU countries through new Free Trade Agreements.
1. UK agriculture

1.1 Overview of the sector

The UK agriculture sector has a key role in the UK economy and the rural environment.

The latest UK agriculture statistics show that in 2017:

- Approximately 72% of the total UK area is utilised for agriculture (some 17.5 million hectares).
- Around 25% of UK land is used for arable crops such as wheat and barley, and 1% for horticultural crops.
- Agriculture’s contribution to the national economy remained at less than 1% and its share of employment remained stable at 1.48%.
- In real terms, total income from farming is estimated to have risen by £1,683 million (41%) to £5,743 million.
- Farm Business Income (FBI) varied greatly with around 20% of UK farms failing to make a positive FBI whilst just under a quarter of UK farms had a FBI of more than £50,000.¹
- Some 474,000 people (c.1.5% of the total workforce²) were working in the UK agricultural sector in 2016 and 218,000 on agricultural holdings.³

The sector is not homogenous. Types of agriculture, products and farm size and income vary widely across the UK. England, Scotland, Wales and Northern Ireland have different farming terrains and policy priorities.

- Farm size varies widely across the UK with Scotland having on average the largest holdings and Northern Ireland the smallest. The average size for holdings larger than 20 hectares (ha) is 292ha (Scotland), 139 ha (England), 99 ha (Wales) and 62 ha (Northern Ireland).⁴
- In terms of employment and GDP, Northern Ireland is more dependent on the agricultural sector (including the agri-food business) than any other area of the United Kingdom and draws heavily on the Common Agricultural Policy.⁵

Table 1 below illustrates the scale of the main sectors in the UK and the intra-UK variations. The variations in farm income (which can be less than total CAP payments received) are discussed in Section 7.1.

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¹ Defra, Agriculture in the United Kingdom 2017, May 2018
² Farm Business Income (FBI) is the preferred measure for comparisons of farm type and represents the return to all unpaid labour (farmers, spouses and others with an entrepreneurial interest in the farm business) and to all their capital invested in the farm business including land and farm buildings.
⁴ Defra, Agriculture in the United Kingdom 2017, May 2018
⁵ Northern Ireland Assembly, 2016-17 Knowledge Exchange Seminar information, accessed 31 January 2018
Table 1: Selected Farming Facts and Figures (most recent comparable data)

<table>
<thead>
<tr>
<th>SELECTED FARMING FACTS AND FIGURES 2017</th>
<th>UK</th>
<th>England</th>
<th>Scotland</th>
<th>Wales</th>
<th>Northern Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total agricultural area (000s ha)</td>
<td>18,834.5</td>
<td>9,575.2</td>
<td>6,938.3</td>
<td>1,857.0</td>
<td>1,064.0</td>
</tr>
<tr>
<td>Number of farms</td>
<td>105,925.0</td>
<td>50,845.0</td>
<td>35,048.0</td>
<td>24,815.0</td>
<td>24,815.0</td>
</tr>
<tr>
<td>Total employment in agriculture (000s)</td>
<td>474.1</td>
<td>306.4</td>
<td>67.0</td>
<td>51.9</td>
<td>48.7</td>
</tr>
<tr>
<td>Crops: Grass: Rough grazing (% of total farmed area)</td>
<td>77.9</td>
<td>93.1</td>
<td>74.5</td>
<td>37.6</td>
<td>24.7</td>
</tr>
<tr>
<td>Average farm size (000s ha)</td>
<td>86.6</td>
<td>113.2</td>
<td>48.1</td>
<td>41.1</td>
<td></td>
</tr>
<tr>
<td>Wheat (000s ha)</td>
<td>1,791.8</td>
<td>1,652.1</td>
<td>109.5</td>
<td>21.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Barley (000s ha)</td>
<td>1,176.7</td>
<td>842.5</td>
<td>291.3</td>
<td>21.8</td>
<td>21.1</td>
</tr>
<tr>
<td>Oilseed rape (000s ha)</td>
<td>562.4</td>
<td>523.1</td>
<td>34.2</td>
<td>4.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Potatoes (000s ha)</td>
<td>144.9</td>
<td>108.2</td>
<td>29.3</td>
<td>3.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Beef cows (000s head)</td>
<td>3.9</td>
<td>1.9</td>
<td>0.9</td>
<td>0.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Dairy cows (000s head)</td>
<td>3.3</td>
<td>2.0</td>
<td>0.3</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Breeding ewes (000s head)</td>
<td>16,669.4</td>
<td>7,385.2</td>
<td>3,347.4</td>
<td>4,963.5</td>
<td>973.3</td>
</tr>
<tr>
<td>Breeding pigs (000s head)</td>
<td>511.5</td>
<td>416.2</td>
<td>37.3</td>
<td>3.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Broiler chickens (000s head)</td>
<td>117,618.5</td>
<td>90,605.2</td>
<td>6,246.1</td>
<td>3,997.9</td>
<td>16,766.6</td>
</tr>
<tr>
<td>Total laying and breeding fowl (000s head)</td>
<td>52,999.0</td>
<td>38,747.9</td>
<td>7,981.5</td>
<td>3,517.9</td>
<td>7,691.6</td>
</tr>
<tr>
<td>Gross output at basic prices (£m)</td>
<td>16,040</td>
<td>11,643</td>
<td>1,110</td>
<td>1,138</td>
<td>1,449</td>
</tr>
<tr>
<td>Gross value added at basic prices (£m)</td>
<td>10,300</td>
<td>7,799</td>
<td>1,401</td>
<td>457</td>
<td>644</td>
</tr>
<tr>
<td>Total direct payments to farmers (£m)</td>
<td>3,297</td>
<td>2,129</td>
<td>552</td>
<td>296</td>
<td>320</td>
</tr>
<tr>
<td>Subsidies as % of TFF 6</td>
<td>57%</td>
<td>52%</td>
<td>60%</td>
<td>107%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Notes:
1. Total crops, temporary grass under 5 years old, uncropped arable land as % of total croppable area
2. Total direct payments to farmers (all public payments) as percentage of the Total Income from Farming

Sources: Defra, Structure of the agricultural industry in England and the UK at June 20 March 2018 and Defra Agriculture in the United Kingdom data sets, 31 May 2018

1.2 Imports and exports

More than £66 billion of food and animal feed is traded into or out of the UK annually. Box 1 below provides an overview of the key imports and exports and trading countries.

There is considerable complexity in the supply of food from farm to fork. Some products cross borders more than once. This is particularly true for products such as dairy products on the island of Ireland. The Food and Drink Federation has noted that most UK food businesses treat the island of Ireland “as a single territory” and “workers, raw materials, part-finished and finished goods cross the border, sometimes several times”. 6

The exact impacts of Brexit on particular foodstuffs and supply chains are not yet clear because the terms on which the UK will trade with the

6 Food and Drink Federation written evidence to the Environment, Food and Rural Affairs Committee inquiry, Brexit: Trade in Food, October 2017 (BRT 0063)
EU in the future are not defined nor are any likely barriers to trade with other countries. (These issues are discussed in Section 9).

In 2017, the UK imported £46.2 billion of food, feed and drink products and exported around £22 billion, with Scotch whisky being the largest single export at £4.5 billion. This compares with UK total imports in 2017 worth £468 billion and exports worth £330 billion.\(^7\)

The UK has a trade deficit in food and feed products with both the EU and with non-EU countries (taken as a whole). The trade gap widened by 6.2% between 2016 and 2017 and has widened by more than 30% from £16.9 billion in 2005 to £24.2 billion in 2017 in real terms.\(^8\) Around £19 billion of this deficit was with EU countries.\(^9\)

61% of the UK’s exports of food, feed and drink are to EU countries and 70% of the UK’s imports of these products are from EU countries.\(^10\) The Government has a policy of increasing exports of agri-food products to non-EU markets. These increased from £4.2 billion in 2008 to £8.7 billion in 2017.\(^11\) Environment Secretary, Michael Gove has said that the Government is seeking to increase agricultural exports, for example to China.\(^12\)

### 1.3 Food security

The UK is currently 61% self-sufficient in all foods and 75% sufficient in indigenous foods.\(^13\)

It is reliant on imports to secure food supplies to meet the volume, choice and standard of products to meet consumers’ needs and preferences including to provide products that the UK does not produce.

It is widely acknowledged that there is an opportunity for the UK to import less food, in particular indigenous fruit and vegetables.

The National Farmers’ Union (NFU) has argued that “a lot of that [imported food] could be grown in the UK. Our ambition as part of this process is to narrow that trade gap”.\(^14\) The NFU has estimated that at the current rate of production, if the UK tried to survive solely on food produced in the UK from 1 January, it would run out on 6 August.\(^15\)

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\(^7\) HM Revenue and Customs, Regional Trade in Goods Statistics, Fourth Quarter 2017, 8 March 2018

\(^8\) Food, feed and drink is a category that includes raw agricultural products, lightly and heavily processed foods, and beverages. Source: DEFRA publication Agriculture in the United Kingdom 2017, May 2018, (chapter 13)

\(^9\) Data from HMRC UK Trade Information (accessed 11 September 2018)

\(^10\) For further information see the Library briefing Brexit: Agriculture and trade and the DEFRA publication Agriculture in the United Kingdom 2017, May 2018, (chapter 13)

\(^11\) Data from HMRC, UK Trade Info (accessed 11 September 2018)

\(^12\) Rt Hon Michael Gove, Farming for the next generation, speech to Oxford Farming Conference, 5 January 2018


\(^14\) As above, pg. 36-37

\(^15\) As above, p. 7
### Box 1: Key Facts – UK Trade in Food and Drink 2017

- The UK exported £22 billion of food, feed and drink, up 22% on the previous year.
  - Whisky is the UK’s top export at £4.5 billion, with cereal and associated products at £2.3 billion, dairy and eggs at £1.8 billion and meat at £1.8 billion.
- The UK imported £46.2 billion of food, feed and drink, up 7.1% on the previous year.
- The UK’s five largest export markets are the Irish Republic, France, the US, Germany, and the Netherlands.
- China is the UK’s largest non-EU export market.
- Imports of fresh fruit and fresh vegetables grew by 4.6% to £3.8 billion and 2.5% to £2.4 billion respectively.

#### UK-EU food trade

- 60% of UK food exports go to the EU and 70% of imports come from the EU.
- **Exports:** Seven of the UK’s top 10 export markets are EU member states.
- The Irish Republic is the UK’s largest export market: UK exports of food, feed and drink to Ireland were £3.7 billion in 2017.
- All the main categories of product have increased their exports:
  - the largest increase last year was in dairy and eggs which rose 28% to £1.8 billion, followed by animal feed exports which increased by 20% to £1.4 billion.
  - In 2017 exports of both meat and fish increased by 14% and exports of fruit & vegetables increased by 7.7% to £1.2 billion.
- **Imports:** the UK imported more from the Netherlands than any other country in 2016 (noting the Rotterdam effect)\(^{16}\)
- The top nine countries from which the UK imported food, feed and drink in 2016 were EU members.

**Source:** Defra and Devolved Administrations, *Agriculture in the United Kingdom 2017*, May 2018

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\(^{16}\) The ‘Rotterdam effect’ refers to errors in trade calculations when trade flows through ports en-route to another destination. A large proportion of goods are unloaded in Rotterdam and reloaded for another country, distorting the breakdown between the UK’s trade with the Netherlands and the UK’s trade with other countries.
2. Developing a future farming policy for the UK

Current UK farming policy and agricultural systems have been very much shaped by the EU Common Agricultural Policy (CAP). However, UK agriculture, post-Brexit, will be operating outside of the CAP under any scenario. This is because the CAP is not open for association with third countries.\(^{17}\) Exiting the EU will therefore mean that the UK can develop a new approach to domestic agriculture policy. Defra Secretary of State, Michael Gove said in July 2018 that a new CAP could have "all manner of implications for the UK".\(^{18}\)

Any future agricultural policy and intervention framework has to be designed to comply with WTO obligations (e.g. on providing agricultural support) and not create market distortions within the UK.

Agriculture and the implementation of CAP is devolved. Currently the CAP system provides:

- **Direct Payments** to farmers as income support (known as Pillar 1)
- broader **rural development funding** (known as Pillar 2) and
- market support measures under the Common Market Organisation regulation.

This system has evolved since the CAP was provided for in the 1957 Treaty of Rome which established the European Economic Community (EEC) – the “common market”.\(^{19}\) The evolution and current functioning of the CAP is explained in more detail in Chapter 7.

The UK Government has pledged to maintain the same cash funds as currently for CAP until the end of the Parliament (for all parts of the UK), under the expectation that this will be 2022.\(^{20}\)

The scale and nature of the immediate impact of Brexit on UK agriculture will therefore largely depend on:

- Future levels of income support for farmers and rural development funding beyond the Common Agricultural Policy (CAP) and the approach to a common framework
- The nature of any trade deal with the EU and how agriculture fares in trade-offs with other sectoral interests.
- How far access to migrant and seasonal labour is maintained
- The degree of future divergence from the EU in terms of animal welfare standards, pesticides regulation, plant and animal health regulation, and food labelling requirements and protections.

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\(^{17}\) Cabinet Office, *Explanatory Memorandum for European Legislation*, 26\(^{th}\) June 2018

\(^{18}\) Rt Hon Michael Gove MP, *Oral evidence to European Scrutiny Committee, EU Withdrawal*, HC 763, 18 July 2018, Q 697

\(^{19}\) Europa, *The history of the European Union* [as viewed on 10 September 2018]

\(^{20}\) GOV.UK *The Unfrozen Moment – Delivering a Green Brexit*, 21 July 2017
A new Agriculture Bill, announced in the Queen’s Speech and expected this Session, will seek to ensure a smooth transition from the CAP. It will include:

…measures to ensure that after we leave the EU, and therefore the Common Agricultural Policy, we have an effective system in place to support UK farmers.

The Bill is intended to provide stability for farmers and measures to protect the natural environment (see section 2.5).21

As a precursor to the Bill, Defra published consultation proposals in its February 2018 command paper Health and Harmony: the future for food, farming and the environment in a Green Brexit. The consultation closed on 8 May 2018 and received over 44,000 responses.

The paper sets out potential options for fundamental reform of agriculture in the UK after Brexit. These are discussed further in Chapter 3.

Consultations in the devolved administrations have also been issued with those in Wales and Northern Ireland still open (see separate chapters on each):

- Welsh Government, Brexit and Our Land: Securing the future of Welsh Farming, July 2018 (consultation open until 30 October 2018)
- The Northern Irish Department for Agriculture, Environment and Rural Affairs (DAERA), Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement, August 2018 (consultation open until 10 October 2018)

2.1 EU Withdrawal Act 2018 and agriculture

The EU (Withdrawal) Act 2018 (EUW Act) will have the effect of preserving directly applicable EU Regulations in UK law with necessary corrections. Commons Library briefing, The status of “retained EU law” explains these provisions.

To go further requires primary legislation. The CAP functions through a set of regulations which will need to be retained and amended. The UK Government is already committed to an Agriculture Bill to introduce provisions to transition out of and replace the CAP.

Environment Secretary Michael Gove has indicated that he expects the devolved legislatures to also bring forward their own Agriculture Bills to enact their own plans for future farm support.22 The Welsh Government
has already recognised the need to bring forward primary legislation to make provision for the programme (See Chapter 6).

The UK Government intends that powers conferred on devolved administrations under section 11 of and Schedule 2 to the EU (Withdrawal) Act 2018 will enable them to modify retained EU law in devolved policy areas. This applies except, in the case of direct retained EU law, where regulations are made under section 12 of the Act so that existing frameworks are temporarily maintained in specific areas. As will be the case for the UK Government, the correcting power will remain available to the devolved administrations until two years after the end of the implementation period.23

The Scottish Parliament and Government have continued to object to this approach (and withheld legislative consent for the EUW Act). They agree that common frameworks are needed and that, in some cases, regulatory alignment within the UK will be desirable. However, they maintain that restrictions on the Parliament’s competence should only come with explicit devolved consent and on a case-by-case basis, rather than by secondary legislation.24

The UK Government has committed in its Intergovernmental Agreement with the Welsh Government that it will not “normally” make section 12 regulations without devolved consent, provided that consent is not unreasonably withheld.25

The UK Government has argued that this “freezing” of EU powers is necessary to prevent regulatory divergence in areas of common strategic interest throughout the UK. It intends to recreate through “common frameworks” some of the harmonised standards and approaches that currently apply throughout the EU, but on a UK-wide basis.26

2.2 Draft EU Withdrawal Agreement and CAP

The draft EU Withdrawal Agreement sets out the proposed terms of a formal transition period expected to cover 29 March 2019 (the day of exit) until 31 December 2020.

As drafted, EU rules will continue to apply until that date but subject to UK and devolved provisions made under the EU (Withdrawal) Act 2018. In the event of no withdrawal agreement, all powers and responsibilities will take effect from 29 March 2019 under provisions made through the Act.

23 Cm 9674, DExEU, Legislating for the Withdrawal Agreement between the UK and the EU, July 2018. This blog from the Scottish Parliament’s Information Centre also provides an overview, SPICe Spotlight, Legislating for withdrawal from the European Union – Where are we now, 29 June 2018
24 House of Commons Library Debate Pack 0166, Implications for Scotland of Leaving the EU, 29 June 2018
25 .GOV.UK, Intergovernmental Agreement on the EU (Withdrawal) Bill: Intergovernmental Agreement on the EU (Withdrawal) Bill and Establishment of Common Frameworks, 25 April 2018
26 House of Commons Library Debate Pack 0166, Implications for Scotland of Leaving the EU, 29 June 2018
An important exception within the withdrawal agreement relates to the **CAP Direct Payments**. These will be under UK legislation from claim year 2020, not 2021. Claim years 2018 and 2019 by contrast will operate on the same basis as previous years. Direct support from 2020 will then operate under domestic legislation.\(^\text{27}\) Under EU CAP reform proposals, although provisions are expected to come into force on 1 January 2021, specific articles would apply from 16 October 2020 (the start of the EU 2021 financial year). Given the proximity to the end of the Implementation Period, the UK is however seeking a “carve-out” from application of any Article earlier than 1 January 2021.\(^\text{28}\) This would preferably be as part of the Withdrawal Agreement.\(^\text{29}\)

The Welsh Government has noted that The Rural Development Programme for Wales will continue to operate under EU regulation until the end of the Programme ‘which could be until 2023.’\(^\text{30}\)

### 2.3 A UK common framework for agriculture

The UK Government has identified 24 policy areas where repatriated EU powers intersect with devolved competency and where there needs to be more detailed discussion to explore whether ‘legislative common framework’ arrangements might be needed, in whole, or in part for the UK.

Several agriculture policy areas are included:\(^\text{31}\)

- **Agricultural Support**: Policies and Regulations under the EU Common Agricultural Policy covering Pillar 1 (income and market support), Pillar 2 (rural growth, agri-environment, agricultural productivity grants or services and organic conversion and maintenance grants) and cross-cutting issues including cross-compliance, finance and controls.

- **Fertiliser Regulations**: Regulations providing common standards for compositional ingredients, labelling, packaging, sampling and analysis of fertilisers. The UK is also signed up to several international agreements (e.g. the Gothenburg Protocol) and EU agreements (the National Ceilings Directive) related to fertiliser regulation.

- **Genetically Modified Organisms (GMO) marketing and cultivation**: Standards for marketing and cultivation of genetically modified organisms.

- **Organic farming**: Regulations setting out standards for organic production certification.

- **Zootech**: EU legislation providing a common framework of rules on breeding and trade in pedigree animals and germinal products

\(^{27}\) DAERA, *Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement*, 1 August 2018


\(^{29}\) Rt Hon Michael Gove MP, *Oral evidence to European Scrutiny Committee, EU Withdrawal, HC 763*, 18 July 2018, Q 696


\(^{31}\) Cabinet Office, *Frameworks Analysis*, 9 March 2018
in the EU and the treatment of imports from 3rd countries. Each of the UK regions has competent authorities in their areas for recognition of breed societies under this legislation.

- **Animal health and traceability:** EU rules and standards that aim to maintain animal health and allow their movement, including policies covering: prevention of disease (entering UK), control of disease (endemic and exotic), surveillance (for exotic disease) movement of livestock, pet passports and veterinary medicines.

- **Animal welfare:** EU rules relating to aspects of animal welfare including on-farm issues, movement of livestock and slaughter.

- **Chemicals Regulation (including pesticides):** EU regulations on the classification, labelling and packaging of substances and mixtures (CLP); the placing on the market and use of biocidal products (e.g. rodenticides); the export and import of hazardous chemicals; the registration, evaluation, authorisation and restriction of chemicals (REACH); and plant protection products (e.g. pesticides).

The UK, Scottish and Welsh Governments agreed the principles that will guide how the UK Government will approach common frameworks in future at the Joint Ministerial Committee on EU Negotiations on 16 October 2017. In January 2018, Secretary of State for Scotland, David Mundell, said that those principles “have facilitated constructive engagement at official level, and we expect to make significant further progress in the coming months, including publishing our analysis.”

The Government has not provided any detail on what these frameworks will look like in substance. They are expected to be introduced by primary legislation engaging the Sewel Convention. It is also not clear what decision-making structure they will employ and therefore what degree of influence the devolved administrations will have on them.

The Written Ministerial Statement accompanying the *Health and Harmony* command paper stated:

> … We will continue to work closely with the devolved administrations to establish common frameworks, where these are necessary, in order to enable the functioning of the UK internal market or so that the UK can negotiate, enter into and implement new trade agreements. Overall it is the government’s expectation that the process will lead to an increase in decision-making for each of the devolved administrations.

The Executive Summary to the command paper notes that the Joint Ministerial Committee (EU Negotiations) principles state that frameworks will be established where:

> … they are necessary in order to enable a well-functioning internal market across the UK, compliance with international obligations and protection of our common resources. Together we are

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32 HC Deb 24 January 2018 c254

33 House of Commons Library Debate Pack CDP 0166, *Implications for Scotland of leaving the EU*, 28 June 2018

34 Defra, *Written Ministerial Statement*, A brighter future for farming and our countryside, 27 February 2018
confident that we can determine frameworks with the right mix of commonality and flexibility.35

However, it states that the UK Government also recognises that each administration has the power to decide its own priorities.36

The House of Commons Environment, Food and Rural Affairs Committee has emphasised that where such UK agreements are made, they must be agreed “following consultation, and with the support of the Governments of the constituent parts of the UK”.37

How will a framework work for agriculture?
The UK Government has said that in terms of future agriculture policy it is ‘committed to delivering an approach that works for the whole of the UK and reflects the needs and individual circumstances of Scotland, Wales and Northern Ireland’. Ministerial and official meetings got underway in summer 2017 to start discussions on UK common agricultural frameworks.38

The last CAP was the most flexible ever in terms of using different options to meet its requirements. There are few areas of common approach across England and the CAP systems implemented by the devolved administrations within the UK have highly diverged. This means there are already four different farming support systems in the UK reflecting different needs and priorities.

When Lesley Griffiths (Welsh Cabinet Secretary for Energy, Planning and Rural Affairs) appeared before the Welsh Assembly’s Finance Committee on 27 June 2018, she discussed UK frameworks for agriculture and animal welfare.

A Welsh Government official provided an update on these frameworks:

- detailed conversations were taking place around Defra’s UK Agriculture Bill at official level as this is expected to give effect to some of the legislative aspects of the frameworks.
- that framework discussions have centered on how governments can “work collectively to come to either a common position or a different position that is understood and recognised and that any of the implications for other parts of the UK are understood”
- Animal welfare and fisheries are areas where joint working is well-established and these mechanisms are being formalised and used as a model.39

36 Defra, Written Ministerial Statement, A brighter future for farming and our countryside, 27 February 2018
37 HC 870, Sixth Report of the House of Commons Environment, Food and Rural Affairs Committee, The Future for food, farming and the environment, May 2018
38 Written Question 112802 20 November 2017
39 Oral Evidence to the National Assembly for Wales’ Finance Committee, 27 June 2018
In response to a June 2018 Commons debate on upland farming, Farming Minister George Eustice outlined how common frameworks were being approached for agriculture: 40

It is recognised by everyone that there will be a need for some UK frameworks, particularly when it comes to delivering international obligations such as our obligations to the World Trade Organisation...but also in ensuring integrity in the UK single market. We are taking two approaches. There will be areas where things may be reserved—for instance, where they are directly attributable to international trade and international agreements that we have entered into. There will be others where we can construct frameworks through memorandums of understanding. There is already a lot of quite detailed work being done in that space.

He also commented that, at an official level, there had been an ‘incredibly close working’ on developing the statutory instruments that need to be brought forward across the legislatures under the European Union (Withdrawal) Act 2018 and ‘detailed work’ on what future frameworks would look like. Mr Eustice said that policy had been considered line by line to see what could be fully devolved, reserved or where a memorandum of understanding would work and that this work was at “an advanced stage”.41

2.4 Funding allocations and internal markets

Currently, EU CAP funding is allocated by the UK Government to the devolved administrations and the basis for this is set out at the beginning of each seven-year CAP ‘round’. The UK Government has guaranteed current levels of funding until 2022 across the UK which will continue to be ring-fenced for agriculture and the rural economy.42

The amount of future funding that each part of the UK receives for successor arrangements beyond EU exit will be dependent on the outcomes of discussions with the UK Government on the financial settlements reflecting EU exit and the UK Government’s 2019 Spending Review.43

The UK will have to comply with WTO commitments which set ceilings for aggregate market support e.g. intervention prices. The UK Government will therefore also have to agree some form of internal market measures with the devolved legislatures.44

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40 HC Deb 26 June 2018 c357WH
41 HC Deb 26 June 2018 c357WH
42 Session 5, Oral evidence from The Rt. Hon Michael Gove, Secretary of State for Environment, Food and Rural Affairs to the Scottish Parliament’s Rural Economy and Connectivity Committee, 26 June 2018 c4
43 Scottish Government, Stability and Simplicity: Proposals for a rural funding transition period, June 2018 para 8
44 DAERA, Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement, 1 August 2018 and HC 870, Oral Evidence to the House of Commons Environment, Food and Rural Affairs Committee, 0332, 2 May 2018
The WTO limits subsidies that distort trade and production and these are known as ‘Amber Box’ following the WTO terminology where subsidies are identified by ‘boxes’ given the colours of traffic lights.\(^{45}\)

It is expected that the UK will secure its pro-rata share of the EU Amber Box headroom as part of the exit agreement and that this will be established in the UK’s WTO schedule. This will provide maximum scope for future policy flexibility within the UK.\(^{46}\)

Farming Minister, George Eustice told the Commons Environment, Food and Rural Affairs Committee in May 2018:

…our feeling at the moment is that the £3 billion a year that we spend on farm support is still a relatively modest sum of money. It is modest enough that it probably does not create the sorts of distortions that people might anticipate, provided we abide by state aid rules and do not try to manipulate prices.\(^{47}\)

**New approaches to future funding allocations?**

In the last CAP round, the UK Government used the same allocation split of funding across the UK as it had in the previous round. This was in agreement with all the devolved legislatures except the Scottish Government who wanted a higher share. Environment Secretary, Michael Gove has suggested that the particular challenges of upland farming and the particular needs of Scotland and Northern Ireland may be acknowledged more in future allocations.\(^{48}\)

Scotland’s concern with the current allocation is that the UK received an ‘uplift’ in its Direct Payment (Pillar 1) budget for 2014-20 under the CAP’s ‘external convergence mechanism’ which is triggered to close a gap in funding when Member States receive less than 90% of EU average payments per hectare.

The Scottish Government argued that it was its farms that had helped the UK to qualify for the payment and therefore Scotland should receive a higher allocation reflecting this. This uplift was worth around €10m in 2015 rising to €60m in 2019. This is a total of €230m over the period.\(^{49}\)

Commons Library Briefing [CAP reform 2014-20: EU Agreement and Implementation in the UK and in Ireland (updated)](https://researchbriefings.parliament.uk/URG-47210) provides further detail.

Environment Secretary, Michael Gove has indicated that there should be a review of allocations at some point. Farming Minister, George Eustice

\(^{45}\) See WTO, *Domestic support in agriculture* (as viewed on 7 September 2018)

\(^{46}\) DAERA, *Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement*, 1 August 2018

\(^{47}\) HC 870, Oral Evidence to the House of Commons Environment, Food and Rural Affairs Committee, [Q332](https://researchbriefings.parliament.uk/URG-47210), 2 May 2018

\(^{48}\) Session 5, *Oral evidence from The Rt. Hon Michael Gove, Secretary of State for Environment, Food and Rural Affairs to the Scottish Parliament’s Rural Economy and Connectivity Committee*, 26 June 2018 c. 4

\(^{49}\) House of Commons Library (and other UK and Irish parliamentary research services) Briefing [CAP reform 2014-20: EU Agreement and Implementation in the UK and in Ireland (updated)](https://researchbriefings.parliament.uk/URG-47210), 30 October 2014
has said “we are not at that point yet but it is something that we are exploring.”

The Scottish Parliament’s Rural Economy and Connectivity Committee questioned the Defra Secretary of State Michael Gove about the funding allocations and previous convergence issue in June 2018. The Minister acknowledged the controversy regarding the allocation but emphasised that it was important to look to future allocations:

My aim...is to ensure that, in the future, we allocate funding in a way that is sensitive to the specific needs of each part of the United Kingdom.  

...We can look at why decisions were made in the past and perhaps reflect on mistakes, errors or misjudgments that might have been made then and allow them to inform the future. We are not clawing money back; we are being aware that good arguments were made at the time in good faith and we will honour the integrity of the individuals who made those arguments and decisions at the time.

....I freely acknowledge, which is that it is in the nature of the landscape and the environment in Scotland—and also in other parts of the United Kingdom—that the preponderance of less-favoured areas and the nature of upland farming impose particular challenges that require a specific level of support. I have said to the Cabinet Secretary, Fergus Ewing, that we need to look in the future at how we allocate funding across the United Kingdom in order to reflect that.

Mr Gove also indicated that there might be more funding for Scotland and Northern Ireland in the future:

...I suspect that in future, particularly given Scotland’s unique needs, or the unique needs of other parts of the United Kingdom, we could contribute as a proportion of overall agricultural spending an even bigger slice—possibly—to Scotland and Northern Ireland.

2.5 The Agriculture Bill

An Agriculture Bill was included in the Queen’s Speech last year. The Bill is intended to enable a smooth break from the CAP as well as providing the legislative framework to allow Ministers to introduce and develop a new domestic policy.

The notes to the Queen’s Speech last year set out the Government’s intentions for the Bill.  

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50 HC 870, Oral Evidence to the House of Commons Environment, Food and Rural Affairs Committee, QQ327–328, 2 May 2018
51 Session 5, Oral evidence from The Rt. Hon Michael Gove, Secretary of State for Environment, Food and Rural Affairs to the Scottish Parliament’s Rural Economy and Connectivity Committee, 26 June 2018
52 Session 5, Oral evidence from The Rt. Hon Michael Gove, Secretary of State for Environment, Food and Rural Affairs to the Scottish Parliament’s Rural Economy and Connectivity Committee, 26 June 2018 c 4
53 Prime Minister’s Office, The Queen’s Speech and associated background briefing on the occasion of the Opening of Parliament on Wednesday 21 June 2017, 21 June 2017, p 23
In line with the manifesto, the Bill will ensure that after we leave the EU we have an effective system in place to support UK farmers and protect our natural environment.

The Bill will:
provide stability to farmers as we leave the EU;
protect our precious natural environment for future generations;
deliver on the manifesto commitment to “provide stability for farmers as we exit the EU.

The regulations that currently implement CAP will be rolled over and become EU retained law under the provisions of the EU (Withdrawal) Act 2018.

However, they will need amending to make sense in domestic legislation. In addition, the UK government has said that the Bill is needed to provide ‘a new statutory framework’ to ‘deliver many of the reforms’ set out in the White Paper.54

The command paper lists some of the legislative powers that the Bill could include:55

- continuing to make payments to farmers
- to create new schemes to protect the environment or to increase productivity
- to establish a new compliance regime

The UK Government has also said that it wants the Bill to ‘support our farmers to compete domestically and on the global market, allowing us to grow more, sell more and export more, great British food. It has also outlined one of the main benefits of the Bill to be “to support a thriving and self-reliant farming sector that is more competitive, productive and profitable”.56

2.6 What provisions will the Bill include?

The Bill is expected to be a framework bill setting out a legislative framework which enables the UK to “break from” the Common Agricultural Policy (because the CAP cannot apply when the UK is not a member of the EU under any scenario) and to introduce new agricultural schemes which support farmers and enable them to be paid for delivering certain public goods e.g. environmental enhancement.57

Further detail relating to these schemes may be provided for in secondary legislation. The Bill is therefore expected to set out overall

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54 Cm 9577, Defra, Health and Harmony, The future for food, farming and the environment in a green Brexit, 27 February 2018 p.67
55 Cm 9577, Defra, Health and Harmony, The future for food, farming and the environment in a green Brexit, 27 February 2018 p.67
56 Prime Minister’s Office, The Queen’s Speech and associated background briefing on the occasion of the Opening of Parliament on Wednesday 21 June 2017, 21 June 2017 p.23
57 Cm 9577, Defra, Health and Harmony, The future for food, farming and the environment in a green Brexit, 27 February 2018, Chapter 15
purposes for which payments can be made etc and allow for changes in EU retained law relating to the ‘rolled over’ CAP regulations.

The Bill will mainly apply to England, unless devolved administrations specifically request that certain provisions are extended to them. It may also make provision for UK-wide frameworks where commonality of approach is required across the UK administrations.

The Welsh Government has said that it is “considering including Welsh-specific provisions” in the forthcoming Agriculture Bill “on a time-limited, interim basis.” This would be to provide powers for Welsh Ministers to commence the phased transition plan until Welsh primary legislation takes effect. The Welsh Government has said that its “ambition” is to put this in place before the end of this Assembly term and in good time to ensure the phased transition period can take effect.

Agriculture and the implementation of CAP are devolved, and Scottish, Welsh and Northern Irish CAP regulations also needed to be amended to make sense after Brexit. When giving evidence to two Scottish select committees in June 2018, Environment Secretary Michael Gove, indicated that Scotland may also wish to bring forward its own Agriculture Bill with similar timing to be able to implement and police its own future payment arrangements etc. He also suggested that some joint aims, e.g. simplifying some of the current requirements around the payments could be applied across the UK:

…I noted that Fergus Ewing indicated that he would like to remove some of the onerous EU bureaucracy that is tied to some of the payments. Should he wish to do so, we might want to disapply that bureaucracy across the UK, or he might want to go further than we do. That is a matter for discussion. If Fergus Ewing wants to go further, that would only reinforce the appropriateness of there being a separate Scottish farming bill in the Scottish Parliament.

2.7 What do stakeholders want from a new policy?

A broad range of stakeholders have been engaging with the consultations conducted by the UK legislatures and views on particular proposals are discussed in Chapter 3.

It is also helpful to step back and consider the key asks, guiding principles and themes which have been emerging. A snapshot across the agricultural and environmental sectors are provided below:

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58 See Cabinet Office, Guidance on devolution, Section on Preparation of Primary Legislation, 20 February 2013
59 Welsh Government, Brexit and Our Land: Securing the future of Welsh Farming, 10 July 2018, para 8.24
60 As above, para 8.23
61 Session 5, Oral evidence from The Rt. Hon Michael Gove, Secretary of State for Environment, Food and Rural Affairs to the Scottish Parliament’s Rural Economy and Connectivity Committee, 26 June 2018 c. 4
The National Farmers Union (NFU) has called for a domestic agriculture policy aimed at helping farmers to mitigate volatility, enhance productivity and to deliver environmental benefits post-CAP. This includes having a transitional period where the UK trades within a customs union.

The NFU has said that a “farmed environment scheme should be a key feature of a future domestic agricultural policy”. It has also highlighted that this should do more than currently to encompass: flood management, air quality, health and wellbeing as well as landscape benefits, climate change mitigation, soil management, water resources and biodiversity.  

NFU Scotland (NFUS) has said that it is looking to Westminster for guarantees on the financial framework and the flexibility for Scotland to develop agricultural policies bespoke to the needs of Scotland’s farmers and crofters. It is also looking to the Scottish Government to expand its policy vision for Scottish food and farming.  

NFU Cymru wants to help to create a new framework delivering a vision of a productive, progressive and profitable farming industry which delivers jobs, growth and investment for Wales. It also wants the timeframe of the common framework to be determined by the trading relationship with the EU and working to the current formula of allocating CAP funds within the UK. The Farmers’ Union of Wales has said that the evidence supporting the need for the UK to remain in the single market and customs union after Brexit is now “incontrovertible”.

The Ulster Farmer’s Union has welcomed the UK Government’s pledge to develop a coherent food policy and to champion good quality food at home and abroad. However, it has cautioned that this and food security would not be achieved “if there was an imbalance in the support equation in favour of the environment and away from food production”. Without funding to support food security, the UFU is concerned that the UK’s reliance on imported food will increase thereby undermining local food production and driving down standards.

The Country Land and Business Association (CLA) and NFU have both highlighted that Government could help the farming industry to build long term resilience, through and beyond transition through a range of measures to tackle the low productivity of recent years and developing new and existing markets. The CLA has said that the Government must recognise

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63 NFUS, Food and Trade commitments welcomed in Secretary of State’s Oxford address, 4 January 2018

64 NFU Cymru, The Welsh Government commits to ring-fence funding for Welsh farming, 2 November 2017

65 Farmers’ Union of Wales, Time for Common Sense to Prevail over Single Market and Customs Union says FUW, 16 October 2017

66 Ulster Farmer’s Union, UFU welcomes Gove’s commitment on food policy but warns change still poses a threat, 5 January 2018
that a “long term programme will be required to work with the range of business planning cycles and succession decisions”.67

- The British Retail Consortium believes that there “is a positive future for UK farmers.” It highlights that there is strong support amongst consumers for UK food, recognising the commitment of British farmers and the high standards of environmental and livestock management.

However, the BRC has cautioned that there is a limit on the premium they will pay for it. “In a highly competitive retail market we need to ensure producers are able to compete on price as well as exploit the obvious advantages they have over imported produce. To ensure the long-term sustainability of our farmers, we need to ensure they are rewarded both through the market and Government support”.68

- The Environment Agency has said that the case for change as the Government sets out to design a new agricultural policy is “compelling.” It has highlighted that despite improving food security as intended, the CAP has been ‘bad’ for the environment with recent environment measures introduced only just starting to register small improvements in some areas. It also notes that agriculture is regularly responsible for more pollution incidents than any other sector in a given year.

The Agency is pleased that “the government has recognised the importance of long term environmental planning if we are to achieve sustainable development and has set ambitious goals in the 25 Year Environment Plan. Farmers and land managers will have a key role in realising these goals; to improve the quality of our air; to ensure there is plentiful and clean water; to help reduce flood risk and to mitigate the effects of climate change”.69

- Greener UK (a coalition of environmental NGOs) highlighted in 2017 that agriculture was at a crossroads and that “future policies should build on successful agri-environment schemes, drawing on evidence and experience of how to reverse declines in nature, and secure ecosystem services vital to farming and wider society. A well-resourced programme of research and monitoring will facilitate continuous improvement”.70

Environmental NGOs have largely welcomed moves towards a ‘public goods’ approach supporting outcomes such as improved animal health and welfare, public health and healthy food production.71

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67 As above
68 BRC Written Evidence (BFS 0007) to the House of Lords European Union Committee, 14th Report, *Brexit: Food Prices and Availability*, 10 May 2018
70 Greener UK, *Agriculture at a crossroads: the need for sustainable farming and land use policies*, February 2017
71 As above, Op242–243 [Professor Dwyer]; Anglian Water Services *(HAH0016)*, para 3; Friends of the Earth England Wales and Northern Ireland *(HAH0027)*, paras 3.1-3.9; Sustain: the alliance for better food and farming *(HAH0004)*, paras 11-12; National Pig Association *(HAH0021)*, paras 15-18; First Steps Nutrition Trust *(HAH0039)*, para 2
3. England: Post-2019 farm support

The UK Government has said that it wants a post-Brexit agricultural policy which helps land owners and managers to make the transition from the current system of subsidy to a new approach of paying public money for the provision of public goods over time.72

Defra published a consultation on the future for food and farming on 27 February 2018 as the command paper, *Health and Harmony: the future for food, farming and the environment in a Green Brexit*. This is a pre-cursor to the Agriculture Bill (see section 2.5). The consultation closed on 8 May 2018.

The paper reiterates the UK Government’s commitment that the same total cash funding will be maintained until the end of the Parliament – and this “applies to each part of the UK”.73

The proposals are for England only. However, the UK Government has said that they ‘could work for the whole of the UK’ but it recognises that devolution means that each administration has “the powers to decide its own priorities”.74

The paper sets out the expectation that the process of developing common frameworks will lead to an increase in decision-making for each of the devolved administrations (see section 2.3 above).

The command paper’s concept of a new system of farm support based on public money for public goods had already been included in *A Green Future*, the UK Government’s 25 Year Environment Plan (January 2018) as part of a proposed new environmental land management system to pay farmers for providing public goods such as habitat enhancement.75 House of Commons Library Briefing *25 Year Environment Plan* provides further detail.

Environment Secretary, Michael Gove has also said that the UK Government hopes to produce a “food strategy document”, which will look at everything from improving Government procurement to “considering what the right steps are in order to help lead to more responsible and sustainable food production”.76

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73 Cm 9577, Defra, *Health and Harmony: the future for food, farming and the environment in a Green Brexit*, 27 February 2018, Executive Summary, para 8. This includes all EU and Exchequer funding provided for farm support under both Pillar 1 and Pillar 2
74 Defra, *Written Ministerial Statement*, A brighter future for farming and our countryside, 27 February 2018
75 Defra, *A Green Future: Our 25 Year Plan to Improve the Environment*, January 2018
76 HC321 Oral evidence from Rt. Hon Michael Gove, Secretary of State for the Environment, Food and Rural Affairs to the House of Commons Environment, Food and Rural Affairs Committee: The Work of Defra, Q119, 13 June 2018
The Government’s November 2017 Industrial Strategy already commits to a ‘farm to fork’ food policy and a Food and Drink Sector Council which has been operational since January 2018. In January 2018, Mr Gove set out why he thought a new farm support approach was needed in his speech to the Oxford Farming Conference.

‘Having a subsidy system which incentivises farmers to place every acre they can into food production means that public money isn’t always being spent on renewing natural capital assets like forestry and wetlands.’

‘Paying landowners for the amount of agricultural land they have is unjust, inefficient and drives perverse outcomes….It gives the most from the public purse to those who have the most private wealth…..It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.’

He also outlined the UK Government’s plans for future agricultural support until 2022 and four areas where he wants to drive a change in overall agricultural policy:

- Developing a coherent policy on food and a new metric for food quality
  This is intended to integrate the needs of “agriculture, businesses, other enterprises, consumers, public health and the environment.” It complements the Food Sector Council announced in the Industrial Strategy.

- Giving farmers and land managers the time and tools to adapt to the future to avoid a “precipitate cliff edge” but also to “prepare properly for the changes which are coming.”

- Developing a new method of providing financial support for farmers which moves away from subsidies for inefficiency to public money for public goods.

- Ensure that “we build natural capital thinking into our approach towards all land use and management…..so that we develop a truly sustainable future for the countryside.”

3.1 Health and Harmony White Paper (Feb 2018)

The Defra command paper, Health and Harmony: the future for food, farming and the environment in a Green Brexit (February 2018) consulted on a ‘new, post-CAP domestic settlement for agriculture’ marking the ‘first step on the road to a new agricultural policy outside of the EU…”

The consultation was accompanied by The Future Farming and Countryside Evidence Compendium intended to provide a “detailed
assessment of the current state of agriculture in the UK” to underpin the proposals.

The consultation generated more than 44,000 responses. During the 10 week consultation, Defra hosted 17 events across the country alongside groups including the National Trust, the NFU and the Eden Project, to hear ‘first-hand’ from more than 1,250 representatives of the UK’s food and farming sectors.

The consultation centred on proposals to replace the Common Agricultural Policy and its current system of direct payments to farmers, with a new approach that ‘values not only the great British food farmers produce but also the unique public goods that farming, horticulture and forestry provide.”

Secretary of State, Michael Gove’s accompanying Written Ministerial Statement criticised the “flawed” CAP for its “unjust, inefficient system that can drive perverse outcomes” and its bureaucratic approach that, in his view, constrains the UK’s ability to improve the countryside and natural environment.

The consultation paper describes the approach of the proposed new land management system:

We will incentivise methods of farming that create new habitats for wildlife, increase biodiversity, reduce flood risk, better mitigate climate change and improve air quality by reducing agricultural emissions. We will achieve this by ensuring that public money is spent on public goods, such as restoring peat bog and measures which sequester carbon from the atmosphere; protecting dry stone walls and other iconic aspects of our heritage; and reducing disease through new initiatives that better monitor animal health and welfare.

Mr Gove’s Ministerial Foreword to the command paper states:

…Now we are leaving the EU we can design a more rational, and sensitive agriculture policy which promotes environmental enhancement, supports profitable food production and contributes to a healthier society.

The environmental damage we have suffered while inside the Common Agricultural Policy has been significant. Soil health has deteriorated. Farmland bird numbers have dropped. Precious habitats have been eroded.

And at the same time a system of subsidy skewed towards those with the biggest landholdings has kept land prices and rents high, prevented new talent coming into farming and held back innovation.

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80 Defra, More than 44,000 responses to future farming consultation, 9 May 2018
81 As above
82 Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018, Cm 9577
83 Defra, Written Ministerial Statement, A brighter future for farming and our countryside, 27 February 2018
84 Cm 9577, Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018 para 6
85 As above
86 Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018, Cm 9577, p5
### 3.2 Proposed timetable for transition

The UK Government has indicated some of the timings and changes in farm support involved in a transition to a new UK agricultural policy. These are set out in Table 2 below.

**Table 2: Proposed Timings: Transition to a new environmental land management system in England**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Basic Payment Scheme (BPS) as normal</th>
<th>Payments are made in the normal EU payment window of 1 December 2018- 30 June 2019.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Basic Payment Scheme (BPS) as normal</td>
<td>Payments are made in the normal EU payment window of 1 December 2018- 30 June 2019.</td>
</tr>
<tr>
<td>2019</td>
<td>BPS as normal (potential for some simplifications such as reduced evidence requirements and more on-line offers)</td>
<td>Assuming that payments are made in the normal EU payment window of 1 December 2019-30 June 2020.</td>
</tr>
</tbody>
</table>

**CURRENT UK IMPLEMENTATION PERIOD FOR EU EXIT:**

- 29 March 2019 – 31 December 2020

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Agricultural Transition = “several years” after any implementation period agreed with the EU. Defra is “looking” at what it will ask farmers to do in order to receive their Direct Payments during this period.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>• Will guarantee payments for a transition period in England beyond March 2019 (subject to consultation).</td>
</tr>
<tr>
<td>2023</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>• Current cash total funds are guaranteed until 2022 (including all EU and Exchequer funding under Pillar 1 and 2 of the CAP).</td>
</tr>
</tbody>
</table>

Propose to use this transition to start to:

- reduce the largest BPS payments – either by a maximum cap or sliding scale of reductions
- Simplify schemes and inspections
- Review past schemes and pilot new approaches

**Post 2024**

| New environment land management system. | After the agreed CAP transition period, Defra will replace the BPS with a system of public money for public goods (not naturally provided for by the market). |

**Source:** Based on information provided in GOV.UK, *Farming for the Next Generation*, January 2017 and Cm 9577 *Health and Harmony: the future for food, farming and the environment in a Green Brexit*, February 2018
3.3 What are the key proposals?

Much of the consultation reiterated general aims for an improved, more self-reliant agriculture industry with a shift in farm support based on public money for public goods as set out in previous speeches.

It is proposed that existing payments will be re-distributed in a dedicated, agricultural transition period (which follows the EU/UK implementation period) by reducing the largest payments.

In many areas, the consultation sought views on specific approaches and timescales and how to support some of the most remote places which may find it most difficult to adapt after direct support is removed.

Table 3 below summarises the key proposals in the White Paper for quick reference. Some key themes are then discussed in further detail in the sections which follow highlighting stakeholder comment.

Table 3: Key proposals: Health and Harmony White Paper 2018

| ‘Agricultural Transition’ Period: | It is proposed that Direct Payments will continue during an ‘agricultural transition’ in England but they will be reduced and phased out by the end of that period, to prepare for new environmental land management systems. The agricultural transition will follow the expected Brexit two-year implementation period from March 2019 and will last a “number of years” beyond the implementation period. The consultation asks for views on the length of transition. Mr Gove has previous indicated that a possible period of 5 years might be appropriate.86 |
| Reduction in farm payments | To help to free up funds to help farmers prepare for change during this period, the Government proposes to apply reductions to Direct Payments starting with those receiving the highest payments, to fund environmental pilots of environmental land management schemes and to ‘help farmers unlock their full potential for sustainable production.’ Specific options for how payments might be reduced to some recipients are provided (see section 3.5 below). |

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86 Oxford Farming Conference, Q&A session, 5 January 2018. [https://www.youtube.com/watch?v=TxTkdCqS4o](https://www.youtube.com/watch?v=TxTkdCqS4o)
### Devolved Administrations

The devolved administrations will have “the same flexibility to target support in a way that best suits their circumstances”. 87

### Developing payments for public goods

Direct payments will be phased out by the end of the agricultural transition period to be replaced by a new Environmental Management System as set out in the Government’s 25 Year Environment plan. 88

This will be based on a system of payments for delivering ‘public goods’ and it will replace greening, cross-compliance and Countryside Stewardship (the existing agri-environment scheme). 89

It is proposed that these will mainly be around environmental enhancement e.g. incentives for farmers to deliver environmental improvements such as: creating new habitats for wildlife, reducing flood risk, improved soil health, reduced emissions of air and water pollutants, and greater biodiversity.

‘Public goods’ could also include: encouraging better public access to the countryside and improved health and welfare of farmed animals.

Defra intends to “learn from the implementation of past schemes, consult with stakeholders on the design of new and ambitious schemes and pilot them in preparation for the introduction of the system”. Pilots will be funded from the reductions in direct payments.

### Simplifying existing schemes

It is proposed that Countryside Stewardship schemes and cross-compliance could be simplified during the ‘agricultural transition’ period whilst the current ‘ineffective’ greening requirements currently set under CAP could be reduced or removed before moving to the new regulatory regime. 90

Countryside Stewardship for 2019 will potentially include more simplified packages, simpler application forms, improved online offers and...

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87 As above, Executive Summary, para 10
88 HM Government, A Green Future: Our 25 Year Plan to Improve the Environment, January 2018,
89 Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018, Cm 9577, p.16
90 Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018, Cm 9577, Executive Summary, para 13
reduced evidence requirements. Some simplifications are already in place for 2018.

<table>
<thead>
<tr>
<th>Animal Welfare</th>
<th>The paper acknowledges the public’s ‘expectation of high animal welfare standards’ and that consumers ‘want to know what they are buying’. It then suggests a system for paying farmers who go further than legislative requirements in certain sectors (See Section 3.3).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and animal health standards</td>
<td>Aims of preventing and tackling pests and diseases as set out in the 25-year environment plan are reiterated.</td>
</tr>
<tr>
<td>Regulation and enforcement</td>
<td>The current system is criticised for disproportionate penalties in parts and for its insufficient scope for farmers to remedy underperformance. The paper commits the government to designing a new, fairer enforcement system and commissioning a review on lessening the burden on farmers. During the agricultural transition period there will be a more “integrated, appropriate and targeted enforcement system” than now. The payments made after the general Brexit implementation period could be made without adhering to cross-compliance rules. Instead, risk-based inspections would be made, and payments guaranteed as long as domestic animal welfare, environmental and other laws were observed.</td>
</tr>
<tr>
<td>Managing risk and volatility</td>
<td>The consultation discusses how the Government is exploring the role that it can and should play to facilitate developments in risk management tools to help smooth income volatility for farmers without distorting the development of a private market in this area. The Government will conduct behavioural research and engage the farming and insurance sectors to further inform work in this area. Defra is consulting on barriers to wider development of insurance, futures contracts and other risk management tools for farmers.</td>
</tr>
</tbody>
</table>

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91 As above, p.19
92 .GOV.UK, New Countryside Stewardship offers open for applications, 15 January 2018
93 As above, Executive Summary, paras 20-22
94 Cm 9577, Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018, p.53
Government is also considering how to improve the government response to major crises.\textsuperscript{95}

The paper proposes “domestic provision for safety net mechanisms currently provided by the EU Common Market Organisation regulations, which will allow the government to intervene in such crises”.\textsuperscript{96}

<table>
<thead>
<tr>
<th>Fairness in the Supply Chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farming Minister, George Eustice, has been tasked with considering overall fairness in the food supply chain and Secretary of State, Michael Gove has said that the Government could look at how the apprenticeship levy works to spend money for skills training more effectively across supply chains.\textsuperscript{97}</td>
</tr>
</tbody>
</table>

**Data**

The Government wants to help farm businesses have a better view of the market akin to the larger retailers and processors. This is intended to reduce mistrust about pricing and profit-sharing along the supply chain.

Defra wants to explore how “the collection and dissemination of market data could be improved to increase transparency, encourage better communication and the sharing of information, and support efficient working across the supply chain”.\textsuperscript{98}

Defra has committed to exploring the case for mandatory reporting of price and volume data from producers, manufacturers, wholesalers and retailers for some agricultural commodities whilst safeguarding the privacy of sensitive information.\textsuperscript{99}

**Producer Organisations**

The paper promotes Producer Organisations as helping farmers increase their power in the supply chain. However, it is not clear how this diverges from current EU approaches.\textsuperscript{100}

\textsuperscript{95}As above, Executive Summary, para 23

\textsuperscript{96}As above, p 54

\textsuperscript{97}Rt Hon Michael Gove, Farming for the next generation, speech to Oxford Farming Conference, 5 January 2018

\textsuperscript{98}Cm 9577, Defra, *Health and Harmony: the future for food, farming and the environment in a Green Brexit*, 27 February 2018,

\textsuperscript{99}As above p.55

\textsuperscript{100}As above p.59
### Rural Communities

Digital connectivity is recognised as key. Defra is working with other Departments to support rural businesses on broadband and 4G access.101

### International Trade

The paper states that competition will help drive down prices and that accessing new markets helps farmers.102 The government is “fully committed” to maintaining high standards of consumer, worker and environmental protection in trade agreements”. It also recognises that the industry “needs sufficient time to prepare”.103

### Skills and Advice

Take-up of skills and knowledge is linked in the paper as an essential factor in improving efficiency and competitiveness on-farm. The Government is seeking to:

- encourage more farmers to benchmark themselves against the best and commit to Continuing Professional Development (CPD).
- acknowledge that “there is an important role for knowledge sharing, producer cooperation, and farmer-to-farmer learning to kick-start a wider culture of excellence.”
- encourage farmers and growers to “invest in new technologies and processes to increase their profitability, tackle plant and animal diseases and improve animal health.”
- work with the Agriculture and Horticulture Development Board (AHDB) to encourage a focus on stronger resource efficiency and sustainable growth.

### Business Environment

The Government has committed to action in a number of areas to improve the overall business environment for agriculture:

- Help create opportunities for the next generation of “talented people to enjoy a successful career in farming”, including further work with councils to encourage a vibrant network of council farms.
- Explore new business models and the scope for reforming agricultural tenancy laws to support succession planning and remove barriers to investment.

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101 As above, Executive Summary, para 24
102 As above p.61
103 As above, Executive Summary, para 25
<table>
<thead>
<tr>
<th><strong>Integrating Research</strong></th>
<th>The UK Government wants to see more investment in automation and machine learning – towards the “hands-free farm.”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northern Ireland</strong></td>
<td>The paper briefly addresses the need to consider impacts on cross border farms in Northern Ireland and on the need to be mindful of the Good Friday agreement, noting the December 2017 Joint UK-EU report commitment to protecting North-South cooperation in full, including with respect to agriculture. 104</td>
</tr>
</tbody>
</table>

### 3.4 Key themes in more detail and stakeholder reaction

#### Overall approach

Farming and environmental organisations (e.g. NFU, CLA, CPRE and Wildlife and Countryside Link) have broadly welcomed the proposed approach of public money for public goods via agricultural support measures.

However, they have also raised issues around the lack of clarity in the paper about impacts of the proposals, levels of funding during transition, the comparatively short timescales for implementation and highlighted the need to support the sector to achieve domestic food production policy aims.105

The NFU’s response to Health and Harmony calls for the Government to ensure future plans provide a level playing field, maintain high standards and maintain investment in agriculture even if it is through other policies and less through subsidies.106

Some stakeholders fear that the capping and removal of Direct Payments has the potential to create a period of uncertainty and volatility for many in the farming community. The NFU has highlighted the role of Government in regulating to mitigate the impact of market failures on the sector.107

Shadow Defra Secretary Sue Hayman MP has been quoted as saying that the consultation showed the Government was “deeply confused about food and farming post-Brexit” with Labour offering “real solutions” including a comprehensive EU-UK customs union, widening

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104 As above, p 63
105 House of Commons Environment, Food and Rural Affairs Committee inquiry, *The work of Defra: Health and Harmony*, HC 870, written submission by Wildlife and Countryside Link (HAH00012), para 1.1; Chartered Institution of Water and Environmental Management (HAH00009), para 2.1, Q8, Q42 [Guy Smith]
of the Grocery Code Adjudicator’s remit and reinstating the Seasonal Agricultural Workers Scheme.\textsuperscript{108}

**Food Supply Chain Manifesto**

Following the consultation deadline, a wide range of organisations across the food supply chain, including the NFU, published a joint manifesto – Food Supply Chain Manifesto for a Successful Brexit.\textsuperscript{109}

This noted ‘the detailed policy proposals’ for reforming farm support and stated: \textsuperscript{109}

> The food and farming sectors are enthusiastic about the opportunity to reform agricultural policy once we leave the EU. In the short to medium term, while there remains considerable uncertainty about the trading environment in which farm businesses will operate post-Brexit, it’s crucial that the government ensures stability and certainty for farmers, their suppliers and customers.

This had the key ask that changes to support for farming (both level and allocation) be phased in with time for businesses to adapt and become more productive and resilient. It also called for government to ensure that the alternative schemes and programmes are properly tested and ‘can be shown to support productive, innovative and sustainable agriculture.’

The manifesto welcomed the commitment to the maintenance of funding in total cash terms until the end of this Parliament and called for public investment in agriculture to be maintained at sufficient level “to achieve policy objectives that support domestic food production alongside the delivery of public goods”.\textsuperscript{110}

**Commons Environment, Food and Rural Affairs Committee (June 2018)**

The Environment, Food and Rural Affairs Committee held a short inquiry into the consultation proposals resulting in their June 2018 report The Future of Food, Farming and the Environment.\textsuperscript{111}

The Committee welcomed the ‘level of ambition’ in Defra’s consultation and supported the public money for public goods approach. The Committee called for the government to ‘seek to deliver public support for the integration for managing the land for environmental benefits and profitable food production.’ It also welcomed the commitment to build on the success of existing agri-environment schemes.\textsuperscript{112}

However, the Committee was concerned at the ‘absence of detail’:

> …Too many central tenets of the policy remain unclear. Without clarity on funding, timing and delivery of the future agricultural

\textsuperscript{108} Farmers Guardian, Abi Kay, Industry groups disappointed with consultation on future of farming, 27 February 2018

\textsuperscript{109} Food supply chain manifesto, 28 May 2018

\textsuperscript{109} NFU, Food Supply Chain Manifesto for a Successful Brexit, p.3

\textsuperscript{111} HC 870, House of Commons Environment, Food and Rural Affairs Committee, The work of Defra: Health and Harmony

\textsuperscript{112} HC 870, House of Commons Environment, Food and Rural Affairs Committee, The work of Defra: Health and Harmony, para 114
policy, there is a risk that Defra’s welcome ambitions will not be met. We look forward to receiving clarification and the opportunity to provide pre-legislative scrutiny well before the introduction of the Agriculture Bill.

The Committee called for a range of new detail from Defra:

- **An assessment of which current public bodies are suitable to provide the co-ordination of its new environmental land management system** and an assessment of what additional skills and resources this body will require given past performance of delivering rural payments and stewardship schemes.

- **A thorough sectoral assessment** of the withdrawal of Direct Payments to allow Defra to better target the additional support that will be required by small and medium-sized farms and businesses in especially vulnerable sectors.

- **A government commitment to fully fund the agricultural policy following transition (post-2022)** and ring-fence the funds that are released from the withdrawal of Direct Payments to fund the rural economy and the environment.

- Defra to **confirm as soon as possible:**
  - the timing and length of the ‘agricultural transition’ period
  - the status of cross-compliance and ‘greening’ requirements during the transition period.
  - that all existing environmental schemes will be supported to their completion.

- **The Government to produce a farm productivity plan** by May 2019 covering: the provision of farm advice (including on new technologies), tax breaks, capital grants, mobile and digital infrastructure.

### Transition period

Defra has proposed an ‘agricultural transition’ period after any agreed withdrawal period with the EU. This is intended to “give farmers time to prepare for new trading relationships and an environmental land management system”.

During transition direct payments will be redistributed (see section below) and existing schemes will be simplified.

The consultation proposes that before the new system is introduced, during the transition period, existing scheme rules will be simplified, principally those under Countryside Stewardship and cross-compliance and “ineffective greening requirements” currently set under CAP will be reduced.

The **consultation** also proposed making payments during the transition period irrespective of the area farmed:

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114 As above, para 13
Under this approach, there would be no requirement to remain a farmer. It would be a radical simplification and, for example, would remove the need for recipients to meet land eligibility rules or comply with greening to receive payment. Payments to each applicant could be based on the value of Direct Payments made to them in a historic reference period. Farmers might choose to use the payments to invest in and adapt their businesses, or exit the sector.

Farming unions across the UK continue to highlight that uncertainty in the industry will deter farmers from making long-term improvements and investment decisions.

The Commons Environment, Food and Rural Affairs (EFRA) Committee noted in its report on the White Paper that ‘while a transition period is welcomed, there appears to be little consensus on how long it should be.’ Evidence to the committee gave a range of estimates from 3-7 years.

Those from the agricultural sector e.g. NFU and Dairy UK want the period to be long enough to ensure that farmers in England have time to adapt to change and invest to improve their productivity. However, environmental organisations such as Wildlife and Countryside Link and the Chartered Institution of Water and Environmental Management are concerned that any delay could result in inaction by farmers.

The CLA has highlighted that 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 CLA wants to see transition offered as a managed process allowing 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.

Professor of Rural Policy and Director of the Countryside and Community Research Institute, Janet Dwyer, has suggested a longer transition period to avoid potential environmental risk arising from too quick a policy change. She has drawn parallels with the approach taken when 2005 CAP reforms meant that Member States had to start moving payments from being based on historic payments to being area based and subsidies were decoupled from production. She has cautioned that Defra phased that change over 10 years to ensure that farmers knew what was happening and had time to adjust and make plans.

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115 Cm 9577, Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018 p 21
116 NFU online, Banks join NFU calls for certainty around investment, 29 June 2018
117 Soil Association (HAH0019), para 31; British Ecological Society (HAH0032), para 16
118 As above, Chartered Institution of Water and Environmental Management (HAH0009), paras 5-5.5; Wildlife and Countryside Link (HAH0012), para 5.4
119 CLA, Consultation response: Health and Harmony – The Future for Food, Farming and the Environment in a Green Brexit, 20 April 2018
120 As above, Q212 [Professor Dwyer]
121 As above, Q206
Public money for public goods

A new direction for farm support

The consultation includes proposals for a new system of support for farmers and land managers which is “underpinned” by payment of public money for the provision of public goods and a natural capital approach which properly values the natural environment.\(^\text{122}\) The new system will pay for the delivery of public goods (described below) which the market does not naturally provide for. The new system is aimed at providing support as “we move towards a more effective application of the ‘polluter pays’ principle”.\(^\text{123}\)

Successive UK Governments have highlighted in various CAP reforms that farm support, without requiring public goods in return, is not the best use of tax-payers money.\(^\text{124}\)

The Commons EFRA Committee has noted that “Defra has a “huge task” to ensure a lead agency and national framework are in place to start delivering its policy based on public goods with adequate funding to police an independent inspection regime.\(^\text{125}\) It has suggested that civil sanctions and fines could be hypothecated to provide the Environment Agency or equivalent public body with the necessary extra resources.\(^\text{126}\)

Is this a completely new approach?

A system of incentivising public goods is not an entirely new approach for farmers.

The current CAP system is largely based on area payments but some elements of direct payments and rural development grants under the CAP are already linked to incentivising or requiring farm management/activities which enhance or protect the environment as well as promoting the rural economy. The next CAP round (see section 7) is further emphasising this approach.

Currently Member States can ‘modulate’ some funds (move across budgets) from direct payments to rural development programmes if they want to take a more public goods approach. Funding already differs across the UK, indicating the different priorities of the devolved nations.

Wales modulates the full 15% which is allowed compared to 12% in England and 9.5% in Scotland and no Pillar 1 to Pillar 2 transfer in Northern Ireland.\(^\text{127}\) These include some of the higher transfers among

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\(^{122}\) Defra, *Health and Harmony: the future for food, farming and the environment in a Green Brexit*, 27 February 2018, Cm 9577, Executive Summary, para 13

\(^{123}\) As above paras 13-15


\(^{125}\) Environment, Food and Rural Affairs Committee inquiry, *The future for food, farming and the environment*, Sixth Report of Session 2017–19, HC 870, para 89

\(^{126}\) As above, para 98

\(^{127}\) Northern Ireland’s 0% modulation was initially due to lack of political consensus and legal intervention. There was an opportunity to review this for 2017 but Northern
Member States with transfers of around 3% for France and 4.5% for Germany in the same direction.\textsuperscript{128}

The WTO agriculture agreement allows governments to support their rural economies and agri-environment schemes, but preferably through policies that cause least distortion to trade. It also allows some flexibility in the way commitments are implemented.\textsuperscript{129}

The House of Lords EU Energy and Environment Committee enquiry on Brexit: Agriculture (May 2017) explored how the public money for public goods approach could work with WTO rules.

In WTO terminology subsidies are identified by ‘boxes’ given the colours of traffic lights.\textsuperscript{130} Amber is used for subsidies that distort trade and production and should be limited, green box subsidies broadly cannot distort trade or involve price support. UK Ministers have already acknowledged that the UK might need to use its Amber Box allowances, not just Green, to pay for a wider range of public goods than environmental enhancement.

**Which public goods might be funded?**

The Government has indicated that environmental enhancement and protection are of key importance as a public good as well as “cultural benefits that improve our mental and physical well-being, while protecting our historic environment”.\textsuperscript{131}

The five main areas suggested in the consultation for future public support are:\textsuperscript{132}

- Environmental enhancement and protection *(including improved air, water and soil quality, increased biodiversity, climate change mitigation and adaption)*
- Animal and plant health and welfare
- Improved productivity and competitiveness
- Preserving rural resilience, traditional farming and landscapes in the uplands
- Public access to the countryside

The 25 Year Environment Plan also refers to a range of particular public goods that farmers can be paid to deliver such as:\textsuperscript{133}

- returning cultivated land to wildflower meadows

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\textsuperscript{128} IEEP, CAP 2020: Member State implementation of the CAP for 2015-2020 - a first round-up of what is being discussed, 16 April 2014

\textsuperscript{129} WTO, Agriculture: Fairer markets for farmers (accessed 11 September 2018)

\textsuperscript{130} See WTO, Domestic support in agriculture (accessed 11 September 2018)

\textsuperscript{131} Cm 9577, Defra, Health and Harmony: the Future for food and farming and the environment in a Green Brexit, February 2018, Executive Summary para 16

\textsuperscript{132} Cm 9577, Defra, Health and Harmony: the Future for food and farming and the environment in a Green Brexit, February 2018, Executive Summary, para 14 and 16

\textsuperscript{133} HM Government, A Green Future: Our 25 Year Plan to Improve the Environment, January 2018, p.7
• planting woodland
• restoring habitats for endangered species
• recovering soil fertility
• increasing biodiversity

The consultation paper asked respondents to rate public goods in order of preference. However, some environmental organisations (eg The Institution of Environmental, and The Wildlife Trusts) believe that this risks over-simplifying the complexity of the natural world. Most witnesses to the EFRA Committee investigation supported wider ‘public good’ outcomes such as improved animal health and welfare, public health and healthy food production.\textsuperscript{134}

Secretary of State, Michael Gove also indicated earlier in 2018 that the delivery of wider public goods such as: scientific innovation, technology transfer, skills, infrastructure (e.g. universal super-fast broadband), public access and rural resilience (smaller farms and rural businesses supporting rural communities and culture) could be rewarded.\textsuperscript{135}

The 25 Year Environment Plan also commits the Government to:

• incentivise and reward land managers to restore and improve natural capital and rural heritage with a more effective application of the ‘polluter pays’ principle (where those who cause pollution pay for it)
• explore new approaches such as offering private payments for eco-system services, reverse auctions and conservation covenants.
• Build on previous countryside stewardship and agri-environment schemes but keep the bureaucracy of future land management schemes to a minimum.
• explore where capital grants could support the adoption of long-term sustainable land management practices.

The Natural Capital Committee has noted that if good value for money is demonstrated in the switch in approach to funding public goods, then “further investment is justified”.\textsuperscript{136}

Broad consensus on the approach

Farming organisations, the wider agri-food sector and environmental organisations broadly support this shift in approach. They vary in the emphasis that they think should be placed on different ‘goods’ and there is a lively debate about how far food production is a public good.

The NFU has welcomed the Government’s recognition of farming’s “unique position” to “deliver for the environment” as set out in the 25

\textsuperscript{134} As above, Oq242-243 [Professor Dwyer]; Anglian Water Services (AHK0016), para 3; Friends of the Earth England Wales and Northern Ireland (AHK0027), paras 3.1-3.9; Sustain: the alliance for better food and farming (AHK0004), paras 11-12; National Pig Association (AHK0021), paras 15-18; First Steps Nutrition Trust (AHK0039), para 2
\textsuperscript{135} GOV.UK, Farming for the Next Generation, 5 January 2017
\textsuperscript{136} Natural Capital Committee, Advice to Government on the 25 Year Environment Plan, September 2017
Year Environment Plan and Health and Harmony. However, it has also cautioned that only productive and viable businesses can deliver the environmental benefits envisaged in the Plan. It therefore believes that it is vital that a holistic approach is taken with environment policy joined-up with future food policy (as outlined in the Government’s Industrial Strategy) and measures to manage volatility enabling ‘profitable, productive and progressive’ farm businesses post-Brexit.\(^{137}\)

In August 2018, a coalition of 55 NGOs (including Wildlife and Countryside Link, National Trust, RSPCA and WWF) \textit{wrote to the Prime Minister} to highlight the importance of maintaining the Government’s “ground-breaking approach” describing the forthcoming Agriculture Bill as presenting a “once in a generation opportunity to secure public goods for society”.\(^{138}\)

Organisations such as Buglife,\(^{139}\) and the Soil Association have welcomed the proposals in the UK Government’s 25 Year Environment Plan to support habitats, soil maintenance and pollinators in a new land management system.\(^{140}\)

The RSPB views the proposed system as a better way of investing the existing farm support budget in a way which works for nature and underpins farm livelihoods. It has highlighted recent joint research with Defra which shows that some agri-environment schemes have led to more than a doubling in the abundance of around 17 priority bird species despite the overall national trend of declining numbers of farmland birds since 1970.\(^{141}\)

A recent WWF poll, undertaken by Populus, found that 91% of the UK public want to see farmers paid to protect nature (Populus polled 2069 people).\(^{142}\)

\textbf{Animal Welfare as a public good?}

The House of Commons Environment, Food and Rural Affairs Committee reported that it had “heard widespread support” for the inclusion of animal health and welfare as public goods. The Committee recommended that Defra should commit to exploring how this could be achieved in trials during the agricultural transition period.\(^{143}\)

The consultation suggests that rather than “significantly raising the UK legislative baseline, we could pilot schemes that offer targeted

\(^{137}\) NFU, \textit{25 Year Environment Plan launched by PM: Environmental Policy and food production must go hand in hand – NFU}, 12 January 2018

\(^{138}\) Letter to Theresa May, 24 August 2018 as highlighted in Wildlife and Countryside August update on Agriculture web page [as viewed on 9 September 2018]

\(^{139}\) Buglife, \textit{25 Year Environment Plan promises meadows for bees}, 11 January 2018

\(^{140}\) Soil Association, \textit{Secretary of State commits to soil health}, 25 October 2017

\(^{141}\) RSPB, \textit{UK farmers offer hope for farmland birds}, 2 January 2018

\(^{142}\) Defra, \textit{More than 44,000 responses to future farming consultation}, 9 May 2018 and WWF, \textit{Whilst England basks in a sunny bank holiday, 8 out of 10 people want farmers paid to protect nature}, 5 May 2018

\(^{143}\) Environment, Food and Rural Affairs Committee inquiry, \textit{The future for food, farming and the environment}, Sixth Report of Session 2017–19, HC 870, para 85
payments to farmers who deliver higher welfare outcomes in sectors where animal welfare largely remains at the legislative minimum”. 144

The British Veterinary Association has supported the concept of public money to support animal welfare. 145

BVA has called on the Government to utilise public money to incentivise and support animal health and welfare outcomes as public goods. Therefore, we welcome the Government recognition of animal health and welfare as public goods that will be supported within future agricultural policy post Brexit.

Various witnesses to the EFRA inquiry, including the NFU and Compassion in World Farming supported the idea that improved animal health and welfare should be funded as a public good. 146 Which? suggested that this approach could be trialled during the transition period:

As well as piloting environmental land management schemes during this transition period, there is also a need to understand and test how issues that matter to consumers, such as higher food safety, quality and welfare standards can also be incentivised and achieved. 147

The National Pig Association has said that the Government should place equal value on improving animal health as it does on environmental protection. 148

**Food production as a public good?**

The House of Commons Environment, Food and Rural Affairs Committee report on the consultation – *The Future of Food, Farming and the Environment* (June 2018) highlighted that the consultation paper lacked discussion of wider food policy and had ‘failed to link agricultural policy to wider public health goals and reducing diet-related diseases.’ The Committee recommended that healthy food should be supported as a public good under the new farm support model. 149

Organisations such as The Soil Association and specialists such as Prof. Tim Lang from the Centre for Food Policy have also argued that these ‘public goods’ should include healthy, safe and affordable food. 150

However, food production is an unlikely candidate to be specified through the ‘public goods’ approach. Linking any farm payments to production has constraints under World Trade Organisation rules, which CAP subsidies are already subject to. Also, food production has a commercial market and the proposed funding is to help deliver public goods which the market does not normally provide for.

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144 Defra, *Health and Harmony*, February 2018, Executive Summary, para 18
145 British Veterinary Association consultation response para 15
146 Environment, Food and Rural Affairs Committee inquiry, *The work of Defra: Health and Harmony*, HC 870Q4 [Guy Smith, NFU] [Tim Breitmeyer]; Q243 [Professor Dwyer]; Soil Association (HAH0019), para 24
147 As above, Which? (HAH0020), para 11
148 As above, National Pig Association (HAH0021), para 3
149 HC 870, Sixth report of the House of Commons Environment, Food and Rural Affairs Committee (Session 17-19), *The Future for Food, Farming and the Environment*, 23 May 2018
150 See for example, Soil Association, *The Clock is Ticking*, 1 May 2018
However, the Government may want to use other policy levels to ensure that farm businesses can flourish with high productivity e.g. through public health goals and other general measures which support farm businesses in general (and therefore indirectly support food production). For example, tax breaks, accreditation schemes, reducing volatility and improving resilience.

Environment Secretary, Michael Gove has said that Defra hopes to “produce a food strategy document which will look at everything from improving Government procurement to considering what the right steps are in order to help to lead more responsible and sustainable food production and help people towards a better diet”.  

**Funding levels**

Some organisations such as the Green Alliance have suggested that the proposed funding for environmental provision is insufficient and that even the current financial contribution of £3.1 billion for agri-environment schemes is not enough to reach existing Government commitments on the environment.  

A report commissioned by RSPB, the National Trust and the Wildlife Trusts in 2017 made a ‘conservative estimate’ that an annual budget of £2.3bn would be required to deliver the Government’s existing commitments for environmental land management in the UK (£1.3bn in England). This estimate was produced before the publication of the Government’s 25 Year Environment Plan and did not include administrative requirements, advice or costs associated with monitoring and evaluations.

The UK currently spends £3.1 billion on the CAP, with around £2bn of this being spent in England. However, only £400 million is spent on agri-environment schemes.

Several organisations, such as The National Trust, have suggested that the provision of public goods could also be funded by other non-public sector sources such as water companies. The Chartered Institution of Water and Environmental Management (CIWEM) has cautioned that private markets for public goods are not "sufficiently mature to be applied as widely as would be required" so public money will be needed in the interim.

**How could the new schemes work?**

Defra has said that it will seek to incorporate the best elements of previous and existing schemes in designing the new, improved post-EU exit offer in a new environmental land management scheme. It is also looking at management practices to deliver a broader suite of

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151 HC 321: The Work of Defra, Oral evidence from The Rt Hon Michael Gove to the House of Commons Environment, Food and Rural Affairs Committee, Q119, 13 June 2018
152 To restore nature within a generation and deliver commitments in the 25-year environment plan
153 RSPB, *Health and Harmony* consultation response, 5 May 2018
154 As above, The National Trust (*HAH0005*), para 16
155 As above, Chartered Institution of Water and Environmental Management (*HAH0009*), para 4.2
environmental outcomes as well as alternatives to an option-based approach to delivery.  

Annex A of the consultation notes that the department has “access to a lot of data to evaluate hundreds of similar options that have been offered in recent decades; and a review of current measures will form one part of our approach to designing a new system”.  

Generally, witnesses to the EFRA committee inquiry suggested the system should be on a contractual basis where environmental outcomes are bought by the Government or public-sector organisation from farmers and land owners. Witnesses made a range of suggestions for effective co-ordination of new approaches including:

- A single agency to “lead a national framework for delivering environmental policy outcomes”.  
- delivery may be most appropriate at the ecosystem level, connecting agri-environment schemes on a larger spatial scale; 
- a ‘buyers’ and a ‘sellers’ network could be established which would echo the direction of the Catchment Based Approach and 25 year plan with strategic supra-catchment oversight;  
- a contractual basis for delivering public goods, on a multi-annual basis to provide certainty;  
- An agreed national framework should inform local delivery. The lead agency should also have a role in funding pilots and novel approaches, such as reverse auctions and direct commissioning of specific outcomes, in some instances devolving delivery to local partnerships”; and  
- at the local level a joint ‘committee’ could be made up of local community reps, farmers and landowners, park authorities, conservation bodies, private sector and planners, in facilitated meetings, who would devise a management plan for the area to be signed off by the Secretary of State”.  

3.5 Phasing out Direct Payments

Direct payments will be phased out by the end of the agricultural transition period to be replaced with a new Environmental Management System. This approach was made clear in Defra’s [25 year environment](#).

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156 Cm 9577, Defra, Health and Harmony, The future for food, farming and the environment in a green Brexit, Annex B: Current Countryside Stewardship Options, February 2018  
157 Cm 9577, Defra, Health and Harmony, The future for food, farming and the environment in a green Brexit, Annex A: Stakeholder Proposals, February 2018,  
158 House of Commons Environment, Food and Rural Affairs Committee inquiry, The work of Defra: Health and Harmony, HC 870, The National Trust (HAH0005), para 33  
159 As above, British Ecological Society (HAH0032), para 7  
160 As above, Anglian Water Services (HAH0016), para 4  
161 As above, Q51 [Tim Breitmeyer]  
162 As above, Wildlife and Countryside Link (HAH0012), paras 4.4  
163 Sustain: the alliance for better food and farming (HAH0004), para 20
plan and the Health and Harmony consultation sets out possible ways of achieving the transition.

**Stakeholder views**

Most stakeholders, across sectors, seem supportive, or at least understanding, of the Government’s proposal to withdraw Direct Payments from farmers and landowners.\(^{164}\)

Farming unions have generally welcomed the Government’s commitment to maintaining the same cash funds for farm support until 2022. The NFU and Dairy UK have also positively acknowledged the phase out of direct support.

**Dairy UK** has said that it “broadly supports” the move to phase out the direct payments as long as assurances are given that these funds are ring fenced for the purpose of agriculture and invested to improve and maintain the competitiveness of UK dairy farms against their European neighbours.\(^{165}\)

The NFU has said that UK farmers ‘share the aspiration of reducing their reliance’ on direct payments.\(^{166}\) The NFU has acknowledged that ‘direct payments based on area are crude and not very sophisticated;’ \(^{167}\) The NFU response to the Health and Harmony consultation explains what farmers expect in terms of alternative government support for the industry: \(^{168}\)

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

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

The **AHDB’s consultation response** states that the policies are “highly likely” to lead to restructuring of farming and growing as businesses which become unviable cease production. It considers it vital to equip

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164 See for example, HC 870, House of Commons Environment, Food and Rural Affairs Committee, *The work of Defra: Health and Harmony*, Q88; The Campaign to Protect Rural England (HAH0026), para 6; British Ecological Society (HAH0032) para 3; Wildlife and Countryside Link (HAH0012) para 5.5; Which? (HAH0020) para 10
165 Dairy UK, *Dairy UK responds to Defra announcement of consultation on the Future of Food, Farming and the Environment*, 27 February 2018
166 NFU online, *NFU response to Health and Harmony consultation*, 8 May 2018
167 As above, Q16
168 NFU online, *NFU response to Health and Harmony consultation*, 8 May 2018
farmers and growers with evidence and tools to make strategic choices.169

A range of stakeholders including the Council for the Protection of Rural England (CPRE) and Sustain: The Alliance for better food and farming have warned that small and medium-sized farms would suffer disproportionately from the loss of Direct Payments.170

In oral evidence to the EFRA Committee on 2 May 2018, Farming Minister George Eustice said that the Government was looking at the impacts on different sectors of phasing out the direct payments:171

What is generally accepted is that in some sectors, particularly beef and sheep, particularly in upland areas or moorland areas on more disadvantaged farmland, and particularly, as well, if, in addition to those disadvantages, they are tenant farmers, there is more vulnerability there to disturbance of the existing direct payments system.

We have kept open in our consultation. We have said that we recognise that there could be some particularly vulnerable sectors, and that we are inviting views on how we should address that. It may be that you would have a slower pace of change, or recognise that they provide an important position for the social fabric in some of those areas, or it may be that you design your new system in a way that is sufficiently generous that they can have a business model.

He also commented that some sectors might receive higher payments than now because they can deliver more ‘public goods’:

There are lots of public goods that the uplands can offer and could be rewarded for, in a way that perhaps they are not now, because at the moment the moorland rate is lower than the lowland rate of subsidy. It is almost perverse and upside-down that the most disadvantaged areas, which are doing most for public goods at the moment, are getting a lower payment. Probably we could correct that in the design of the new system.172

Options Proposed

The command paper sets out in more detail for the first time some of the options for changing direct payments.173 It outlines three possible approaches:

- **Apply progressive reductions to farmers’ payments, with higher percentage reductions to amounts in the higher payment bands** (as with income tax). This would affect some 19,000 farmers, or 22% of recipients.

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169 AHDB, AHDB response to Health and Harmony consultation, May 2018
170 As above, Q108; Q209 [Peter Dawson]; Sustain: the alliance for better food and farming (HAH0004); para 5-7; Chartered Institution of Water and Environmental Management (HAH0009), para 1.3-1.4; The Campaign to Protect Rural England (HAH0026), para 1
171 As above, Q290-366
172 As above
173 Cm 9577, Defra, Health and Harmony, The future for food, farming and the environment in a green Brexit, 27 February 2018 p20-24
• Apply a cap to the largest payments, such as a cap of £100,000 for the first year of transition. This would affect 2,100 farmers (around 2% of recipients)

• Apply a different cap or reduction to a higher or lower number of payments, using different thresholds and reduction percentages.

Each 1% reduction in Direct Payments in England releases approximately £16.5 million. The examples given would free up £150 million in the first year.174

The command paper sets out new approaches on conditions for receiving direct payments during the agricultural transition period:

• Broadly retain and simplify the current system (such as cross compliance and removal of ineffective greening rules)

• Continue to pay current recipients irrespective of the area farmers, with no requirement to remain a farmer.

This “radical” simplification would remove the need to meet land eligibility or greening rules and farmers could choose to invest in and adapt their businesses or exit the sector. A new enforcement mechanism would be needed to ensure farmers were meeting environmental and animal and plant health and welfare rules. Delinking payments would avoid perverse incentives to split businesses under the model for capping payments to larger recipients.

Stakeholder views

Stakeholder reactions have varied. Some, such as Friends of the Earth, who during previous CAP reform consultations have supported the broad principle, continue to support capping of payments to those receiving the highest amounts “to help ensure fairer distribution of money and greater delivery of public goods.” The organisation’s response to Defra’s consultation added that capping:

could be complimented during the transition period by a gradual reduction in payments to all farmers, with higher percentage reductions applied to larger recipients. The lowest bands and farmers who rely on direct payments for the majority of their income, such as upland livestock farmers, could potentially be exempt from reductions for longer.175

Farming organisations were more critical of the proposals. The NFU considered that none of the options are suitable for “a proportional and equitable transition to a new support regime”. Their consultation response stated that:

The NFU’s long held position is that capping is not a beneficial or equitable approach for the redistribution of funding as farmers at all scales of production face significant economic pressures which the direct payments address. However, in the case of reducing direct payments, widespread NFU member consultations have

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174 Cm 9577, Defra, Health and Harmony. The future for food, farming and the environment in a green Brexit, 27 February 2018 p20

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demonstrated that once there is greater certainty about our international trading environment, and the government has developed proven alternative ways to support the industry, a phased reduction approach be adopted adhering to the following principles:

- It should remain equitable and fair for all active farmers,
- It should not compromise the UK’s safe, secure and traceable domestic food supply base,
- Reductions in direct payments must be commensurate with a realistic ability to redirect spending effectively and productively in a way that maintains support for active farmers.\(^{176}\)

The Tenant Farmers Association (TFA) accepted the capping principle but preferred option (ii) which is to apply a cap to the largest payments, and then only down to a level of £100,000:

we do not consider that it would be appropriate to go any lower.

We believe that this would immediately take the pressure off levels of rents payable on Farm Business Tenancies as it will reduce the incentive for existing owner occupiers to acquire additional land to expand their operations and take advantage of the direct payments available with entitlements acquired in the marketplace.

The TFA would argue that this cap should apply for a period of five years whilst new schemes are developed to replace those be left behind.\(^{177}\)

3.6 Regulation and enforcement

The current system of farm regulation is criticised in the consultation document for disproportionate penalties in parts and for its insufficient scope for farmers to remedy underperformance. A new fairer enforcement system is to be designed.

The UK Government has also said that it will be continuing to look at overall agricultural regulation from risk-based inspections to simplified applications for support schemes. The UK Government lobbied for this in the Commission’s recent CAP simplification exercise.\(^{178}\) Michael Gove has described how the UK will “seize opportunities to develop a different regulatory culture” outside the EU.\(^{179}\)

Dame Glenys Stacey has been commissioned by Defra to conduct a review on lessening the burden on farmers. No timescale for its conclusion is set out but an interim report was published in July 2018. During the transition period there will be a more “integrated, appropriate and targeted enforcement system” than now.\(^{180}\)

The opportunities for a new regulatory culture are discussed further in Chapter 8.

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176 NFU online, [NFU response to Health and Harmony consultation](https://www.nfu.org.uk/content/nfu-response-health-harmony-consultation), 8 May 2018


178 See for example [GOV.UK](https://www.gov.uk), Environment Secretary calls for fewer inspections to make CAP simpler for fairness, 21 July 2015

179 GOV.UK, [Farming for the next generation](https://www.gov.uk), 5 January 2018

180 Defra, [Health and Harmony](https://www.gov.uk), February 2018, Executive Summary, paras 20-22
Respondents to the consultation have expressed concerns about the impact of withdrawing subsidies without having adequate regulations in place to prevent a ‘race to the bottom’, drawing on the experience in New Zealand in the 1980s. Chief Economist at the Green Alliance, Angela Francis cautioned that light-handed regulation caused “devastating” environmental damage in that particular instance.\textsuperscript{181} However, in New Zealand’s case, the withdrawal of subsidies was due to wider budget problems and was not a phased and programmed withdrawal.\textsuperscript{182}

\textsuperscript{181} Environment, Food and Rural Affairs Committee inquiry, \textit{The work of Defra: Health and Harmony}, HC 870 Q95

\textsuperscript{182} HL Paper 146, House of Lords European Union Committee, 15\textsuperscript{th} Report of Session 2015-16, \textit{Responding to price volatility: Creating a more resilient agriculture sector}, 16 May 2016
4. Scotland: A Rural Funding Transition

The Scottish Government explored potential outcomes for Brexit in its report *Scotland’s Place in Europe: People, Jobs and Investment* (January 2018). This highlighted the importance of beef farmers to the Scottish farming sector and its vulnerability to high export tariffs.

Four champions of agriculture were appointed in early 2017 to advise the Scottish Government on a strategy for delivering the vision set out in the Scottish Governments vision for the “Future of Scottish Agriculture” (2015). The agricultural champions published their *Future Strategy for Scottish Agriculture* in May 2018.

This noted that:¹³³

Unprecedented changes are coming, on top of longstanding problems. Past policies have led to dependency, inefficiency and inequality in many cases and will not work for the future.

Far support is not a right, it’s an asset given by the public to help farmers and crofters improve their businesses and deliver what the marketplace does not fund. We recommend that a top priority starting immediately is mindset change, to help farmers and crofters to become more progressive, entrepreneurial and resilient in a way that is already the culture in the unsupported sectors. All businesses must keep pace with the evolution of demand and societal preferences, and farming is no different.

The Champions also called for co-operation between Government and stakeholders on a 10-15 year strategy for Scottish farming including the transition from the current support system. They recommended that the transition period should be no more than 3-5 years.

4.1 Scottish Consultation: Stability and Simplicity

The Scottish Government set out its proposals for rural funding after Brexit in its June 2018 consultation *Stability and Simplicity: Proposals for rural funding transition period* (which closed in August 2018).

In the Ministerial Foreword, Fergus Ewing, the Cabinet Secretary for the Rural Economy and Connectivity, observes that Scotland is setting out its own domestic plans because it can “no longer wait for Westminster”:

There is little clarity over funding. We have a commitment to provide the same cash total in funds for farm support until the end of the current UK Parliament, and for contracts entered into before the end of March next year to be honoured. But that is all. We continue to seek additional information around future funding.

In the near future, we might not even have the powers over farming, food production and environment previously devolved to

¹³³ A Future Strategy for Scottish Agriculture: *Final Report by the Scottish Government’s Agricultural Champions*, 31 May 2018
Scotland with which to make the best of things. We might have no say over future policy or funding schemes, even though we have distinct Scottish needs that differ significantly from the rest of the UK. But we can no longer wait for Westminster and must get on with determining our own future. People deserve security and stability in the short-term.  

The consultation seeks views on the same kinds of areas as the Welsh, English and Northern Irish consultations with less emphasis on a payment for public goods approach. It continues to work a little more within the existing CAP architecture but as in the other consultations, indicates that there is scope for some support schemes to be ‘streamlined and simplified’, to free up resources that could be used to pilot and test activities likely to feature in future farming and rural support policy.

The consultation discusses:

- creating a defined transition period of approximately five years to 2024 (from EU Exit Day on 29 March 2019) with minimal changes to current funding and payments in the earliest stages. This would include the 2 year implementation period during which Scotland would implement all EU rules on CAP. From January 2021- January 2024 practical simplifications and improvements in customer service would be sought.

- how to reduce the administrative burden on a range of steps in the payments system and process, including inspections, mapping and scheme rules

- at what level to cap payments to release funds to test new policy priorities

- how to protect and enhance long term future support for Less Favoured Areas

- shifting, where possible, from a strict compliance approach towards combining delivery of outcomes with support

- proposals to streamline and synergise some of the Pillar II schemes

- where Scotland should be piloting new approaches, expanding on activity we want to continue into the future and testing fresh ideas and innovation.

What are the key proposals?
Essentially the Scottish Government is proposing two key processes:

- an immediate simplification of current rules with

- civic engagement on the development of new “innovative” approaches for agriculture, the environment and the rural economy.

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184 Scottish Government, *Stability and Simplicity: Proposals for a rural funding transition period*, June 2018
• **A simplification task force will run from Autumn 2018 for c.1 year.**

This will work with officials and key partners to consider responses to the Stability and Simplicity consultation determine and test possible changes in current operations to improve the experience for recipients of CAP payments, reducing complexity and improving public value.

The Scottish Government sees a need in the short-term to “unwind some of the complexity of CAP and release efficiencies where this can be achieved without compromising the control measures that protect the security of our food, the welfare of our animals, our environment standards and ultimately our ability to trade on a reputation for quality produce.”

• **Work to shape the new domestic policy**

The new domestic policy envisaged to be from 31 March 2024 will be shaped by the CAP Greening Report, the Agriculture Champion’s Report, the results of this consultation, and the final report due from the National Council of Rural Advisors.¹⁸⁵

The results of the consultation later this year on Environmental Principles and Governance, the planned Climate Change legislation that will be in place from 2020, other domestic legislative requirements (such as those in the Forestry (Scotland) Act 2018) and new analysis on the impact of existing CAP policies will also be used to inform new policy.

• **Immediate options for Direct Payments (Pillar 1)**

The consultation outlines the pros and cons of working to no change in current payments for the implementation period (21 March 2019 – December 2020) and maintaining the CAP architecture but making selected changes designed to improve it.

Possible changes suggested within the latter course include: capping payments, streamlining applications, inspections and accounting, funding (from possible capping) used for new entrants, innovation, climate change and the environment.

The consultation states that capping “should be examined more closely” during transition with further analysis and consultation needed to determine a fair and simple capping policy. It notes that a “more progressive capping policy” could be a first step to a future agriculture policy which “widens the benefits/range of recipients, and supports new entrants and small businesses”.¹⁸⁶

• **Increased availability of capital support**

The Scottish Government is keen to explore the potential of increasing the availability of capital support (subject to budget availability). This

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¹⁸⁶ As above pp 10-11
could be through widening the targeting of current support, for example to upland farms, and through the use of financial instruments, such as publicly-funded loans. It is proposed that the potential use of financial instruments is explored with the possibility of introducing a pilot approach during the transition period.

**Initial Stakeholder Reaction**

Whilst welcoming proposals to modify some elements of the current payments system, a range of organisations have suggested that what they really want to input to is a discussion about a very different agriculture policy for Scotland.

The National Farmers Union Scotland has welcomed the consultation as an “important step in delivering the correct policy for Scottish farmers and crofters” indicating that it is very much in line with what they have been calling for.\(^{187}\) See for example NFUS, *Steps to Change: A new Agricultural Policy for Scotland* (March 2018). The union has also stressed that agriculture already “supports more than 75,000 businesses in the food and drinks industry” and is therefore very much part of Scotland’s food and drink “success story”.\(^{188}\)

The NFUS described the commitments to look at legislative simplification, disproportionate mapping, inspection and penalty processes as “music to the ears’ of farmers and crofters.\(^{189}\) NFU Scotland has “welcomed the Scottish Government’s intent” especially in the context of plans for transition but has “urged it to move the debate on quickly to the industry’s post-CAP future.” The union has said that the Government has stopped short of what is required when it comes to a future vision. The NFUS highlights that the current proposals are “almost exclusively focused on modifications to the existing CAP as currently delivered in Scotland.” The union wants Scotland to “move quickly to the next stage and develop “our own agricultural and rural policy for life beyond transition and the CAP itself”.\(^{190}\)

The Scottish Crofting Federation (SCF) has emphasised that the direct payments regime needs urgent change and wants the Scottish Government to take the opportunity of EU Exit to improve the system and “rebalance how the system works for public good, to target resources to where they most benefit sustainable food production, environmental maintenance and the wellbeing of rural communities.” The SCF wants issues such as encouraging new entrants and payments for rough grazing to be revised and better targeted.\(^{191}\)

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187 NFU Scotland, *Union welcomes Scottish post-Brexit Agricultural Policy Consultation Launch*, 20 June 2018
188 As above
189 As above
190 NFU Scotland, *Union calls for Stability and Simplicity to look further into the future*, October 2018
191 Scottish Crofting Federation, *Payments transition an opportunity to get things right for crofting says Federation*, 21 August 2018
Scottish Environment Link (a forum for Scotland’s voluntary environment organisations) has called for agricultural policy and funding to be “fundamentally transformed” in the long term to “drive integrated land use and the delivery of public goods.” It notes that “despite current policies we continue to see declines in wildlife, significant greenhouse gas emissions from agriculture and land management, problems with soil and water quality, deterioration in Scotland’s lowland and upland landscapes, and competing pressures on land”. 192
5. Wales: A new land management programme

The Welsh Government has described food production as a major competitive advantage for Wales and one that it is “vital that it retains and builds on its competitiveness, with a strong emphasis on export”. Securing Wales' Future (January 2017) highlights how any Brexit risks to Welsh farming are also risks to managing environmental resources. It notes that:

Securing resources is not only about supporting farming. With 83% of Wales’ land surface being managed for farming and 14% for forestry, a separation between the management regimes for ‘environment’ and ‘agriculture’ is at best artificial. A crisis in Welsh farming would pose huge risks for maintaining the environmental resources of Wales. The countryside and coastline are essential to the heart of Wales and an asset for all our people.

It also sets out ways in which the Welsh Government is looking to respond to the challenges and opportunities of EU withdrawal. For example, strengthening supply chains and increasing added value of products.

The Welsh Government has called for the UK Government to provide Wales with “equivalent or greater resources to those Wales would have received from the CAP and CFP” to support Welsh farming and fisheries.

5.1 Green Paper: Brexit and Our Land (July 2018)

The Welsh Government has set out proposals for a new Land Management Programme for Wales including farming and forestry to replace the CAP in Wales in its entirety. The consultation is open until 30 October 2018.

The Welsh Government has set out proposals for a multi-year transition and proposes that the new Land Management Programme will have two elements of support:

- An Economic Resilience Scheme (investment for economic activities)
- A Public Goods Scheme (direct support for public goods delivery)

The consultation states that there “are strong links between the schemes and they will need to be designed and implemented in parallel. Many land managers will be able to benefit from both schemes”. The Welsh Government wants to align the schemes to ensure that the value

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193 Welsh Government, Securing Wales’ Future, January 2017, p.21
194 Welsh Government, Securing Wales’ Future, January 2017
195 As above, p.21
196 Welsh Government, Brexit and Our Land: Securing the Future of Welsh Farming, 10 July 2018
197 As above, para 4.18
of the land is optimised. However, the consultation also seeks ideas on whether there are additional or better ways of delivering “our vision for Welsh land and the principles for reform”.198

In a written statement on 10 July 2018, the Welsh Government’s Cabinet Secretary for Energy, Planning and Rural Affairs, announced that there will be a further detailed consultation in the spring and that her “ambition is to publish a Bill before the end of this Assembly term in 2021.” The Welsh Government is planning for complete reform by 2025 and wants the legislation in place to ensure a phased transition period can take effect.199

**Economic Resilience scheme**

The scheme will provide investment for economic activities, in particular food and timber production. The Welsh Government proposes that the Economic Resilience scheme will provide targeted investment to both land managers and their supply chains.

The scheme will provide support to:

- increase market potential
- drive improvements in productivity
- diversify
- improve risk management and
- enhance knowledge exchange and skills.

**Public Goods scheme**

The proposed Public Goods Scheme will provide direct support for public goods delivery, in particular for the environment.

The Welsh Government proposes it will provide a new income stream for land managers and make a “significant contribution” to addressing climate change, biodiversity decline, adverse air quality and poor water quality.

**Initial stakeholder reaction**

Farming unions have welcomed the focus on public goods alongside production. The CLA has noted that the consultation “sets out a bold vision for supporting farmers and land use in the future” and reflects “the changing expectation that the public have of farming and the way we use our land”.200

Both NFU Cymru and the CLA have also cautioned that other measures to support farming as a business need to complement the new systems.201 The CLA has said that it will be looking at the consultation to

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199 Welsh Government, *Written Statement: Launch of Brexit – Our Land*, Lesley Griffiths AM, Cabinet Secretary Energy, Planning and Rural Affairs
200 As above
201 See for example, NFU Cymru, *First Minister speaks at packed NFU Cymru Brexit Seminar*, 23 July 2018
“see how it fits alongside other enabling policies to provide farmers with the required conditions to sustain their businesses”.202
6. Northern Ireland: Stakeholder Engagement on future framework

Northern Ireland was the last UK legislature to publish its proposals for post-Brexit agriculture policy. It is currently running without a Northern Ireland Executive.

The Ulster Farmers’ Union has expressed some frustration with this delay even though it accepts the circumstances for Northern Ireland have been difficult.203

The Department of Agriculture, Environment and Rural Affairs (DAERA) has established a range of stakeholder groups to ensure that the Department can respond effectively to the evolving Brexit position and provide the UK Government with a collective view from a Northern Ireland agri-food, rural and environmental perspective.204

DAERA published a stakeholder engagement document in August 2018 setting out the key desired outcomes and long-term vision for the NI agricultural industry:205

1. Increased productivity in international terms;
2. Improved resilience to external shocks;
3. An agriculture industry that is environmentally sustainable; and
4. An industry which operates within an integrated, efficient, sustainable, competitive and responsive supply chain.

The Department has made clear that during this engagement with stakeholders, it will:

not in any way prejudge or constrain the ability of an incoming Minister, NI Executive and NI Assembly to decide what is appropriate for the Northern Ireland agri-food sector. It is likely, therefore, that there will be further consultations on specific proposals which arise as a result of this exercise.206

In June 2017, Graeme Wilkinson, DAERA’s Head of Brexit Division, commented that:

Northern Ireland’s position is unique for many reasons, not least the importance of our agri-food sector, worth over £4.6billion to the economy and our land border with the Republic. DAERA’s role is to ensure this position is understood by all sides involved in the formal negotiations and is considered when the final outcome is reached. Our work has been, and will continue to be, guided by this simple principle.207

203 Ulster Farmers Union, DAERA document a welcome start, 1 August 2018
204 Letter from Dr Denis McMahon, Permanent Secretary DAERA to House of Commons Northern Ireland Affairs Committee, 20 June 2018
205 DAERA, Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement, 1 August 2018
206 As above, para 1
207 Graeme Wilkinson, DAERA, Update on Brexit, 26 June 2017
The DAERA consultation is the only one of the UK legislature consultations to feature food security. 208

The consultation acknowledges that food security is an important strategic context for the new approach even if it is not a primary objective for regional agricultural policy. It highlights that the ‘strategic imperative’ of being able to secure basic food supplies goes beyond metrics of self-sufficiency and incorporates matters such as: the protection of productive capacity, supply chain vulnerability and trade and distribution networks. 209

6.1 Key elements proposed

The consultation paper sets out the following key elements of a future agriculture policy framework and the transition to it:

- It is envisaged that there may be an opportunity to simplify the administration the existing direct support schemes for 2020 and 2021, for example in relation to the Basic Payment Scheme (BPS).
- DAERA will seek the legal authority to maintain the status quo during the 2020 and 2021 scheme years, enabling it to continue to implement the Direct Payment schemes as if they were still operating under EU rules.
- As part of a transition to a new agricultural policy framework, limited changes could be made in the 2020–2021 scheme years to simplify the current support regime and to remove requirements that are not particularly relevant or worthwhile in a Northern Ireland context.
- The 2020–2021 scheme years could also be used to make the necessary preparations to deliver a new agricultural support framework post 2022 or pilot new approaches, and to signpost clearly any changes so that farmers have time to evaluate their future business plans. 210

‘Greening’ measures (for transition up to 2021)

- The consultation notes that the current CAP greening requirements are directly relevant to only a very small sub-set of Northern Ireland producers and deliver minimal, if any, changes in farming practice, but require a disproportionate administrative effort to implement. Therefore, the greening requirements of crop diversification, ecological focus area and retention of permanent grassland could be abolished and the value of the greening payment incorporated into Basic Payment entitlement values.
- One aspect of greening - the current ploughing ban on environmentally sensitive permanent grassland (i.e. within Special Protection Areas and Special Areas of Conservation) - could be retained. The ban helps protect areas such as peat and wetlands which are environmentally sensitive. This ban could be retained

208 NI first UK nation to recognise the importance of food security in post-Brexit policy, Farmers Guardian, 6 August 2018

209 As above p.20

210 DAERA, Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement, 1 August 2018, para 2.2
either through the Environmental Impact Assessment Regulations or by making it a condition of receiving the Basic Payment.

For the period after 2021, the paper discusses in general terms some broad components of future NI agricultural policy. This focuses on key themes such as:

- improving productivity through education and knowledge transfer
- targeting investment on innovation and new technology linked to strategic objectives (notably environmental performance)
- provision of investment incentives other than capital grant (such as loans, loan guarantees, interest rate subsidies etc.)
- provision of a basic farm resilience support measure, including targeting to take account of issues such as natural disadvantage and possible tiering/capping of payment
- cross compliance regime issues
- introduction of anti-cyclical/insurance type measures to help address volatility
- environmental principles to be incorporated within the agricultural policy framework
- a shift towards outcome based environmental measures for agriculture, including co-design with farmers and land managers
- need for future schemes to move beyond the costs incurred income forgone approach to incentivise changes in farming practice to enhance environmental sustainability,
- the role of government in ensuring market transparency and better functioning of the agri-food supply chain.

Stakeholder reactions
The Ulster Farmers Union (UFU) has said that it is “essential that the local share of farm support remains the same as now, but farmers recognise the delivery model is going to change.” The UFU wants a model that is targeted at “those who take the risks in primary food production.”

The UFU has said that support arrangements are “only part of the equation” and “their ultimate format depended on other crucial issues being resolved” such as beneficial trade deals with the best possible access to the EU-27 and other markets. The UFU has said that it will work with other stakeholders to ensure farming, the environment and food processing can have a “post-Brexit joined up future”.

The RSPB blog by NI policy officer Phil Carson supported the concept of public goods provision:

At present, policy allocates significant public funding that provides little in terms of public benefit. We believe that this money should

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211 Ulster Farmers Union, DAERA document a welcome start, 1 August 2018
be repurposed to provide more of what society needs, such as a vibrant countryside rich in nature, clean air and water and resilient productive soils. By moving towards a policy that places environmental enhancement as its central aim, this will be within grasp. ²¹²

The British Veterinary Association has highlighted that it is important for the veterinary profession in Northern Ireland to engage with the consultation because its key concerns are largely absent i.e. “an emphasis on animal health and welfare, as well as the vital input of vets towards the operation of a thriving agricultural sector”. ²¹³

²¹² Phil Carson, RSPB NI Policy Officer, blog, Why we need a new farming policy for Northern Ireland, (Accessed 11 September 2018)
²¹³ BVA Blog, Agriculture after Brexit... where next for NI, 5 September 2018
7. Leaving the Common Agricultural Policy (CAP)

7.1 Evolution of the CAP

The CAP was provided for in the 1957 Treaty of Rome and was intended to increase food production in the European Union after the Second World War. Since then successive EU reforms have sought to move the policy towards trying to incentivise a competitive farming industry which also protects and enhances the environment.

Commons Library Briefing CAP reform 2014-20: EU Agreement and Implementation in the UK and in Ireland (updated) describes this evolution across past CAP reforms in more detail.

Despite many efforts to simplify the policy, the CAP remains a complex set of regulations. An interim report from the UK Government’s Farm Inspection and Regulation Review describes farmers and regulators alike ‘exasperated by the demands of regulation, which are unduly precise and inflexible.’

7.2 How does the CAP work?

The CAP runs for a seven-year period in line with the EU budget cycle. The current CAP agreement and funding runs until 2020 and the EU process for agreeing the new CAP round for 2021-2027 is already underway.

The EU has budgeted its CAP post-2020 proposals on the basis that the UK does not participate as the CAP is not open to association with third countries.

CAP funding for the UK currently provides:

- Direct payments based on the area farmed (known as Pillar 1) through the Basic Payment Scheme
- Rural development funding (known as Pillar 2) which includes support for agri-environment schemes and wider rural economy.
- Market support measures as part of the Common Market Organisation regulation (CMO). This is the set of rules used to organise the single market for agricultural products. The rules cover a wide range of provisions from market safety nets such as public intervention, exceptional measures in case of market disturbances such as animal disease outbreaks, marketing standards, trade provisions and various operational programmes for particular sectors e.g. fruit and vegetables, wine and hops.

Agriculture and implementation of the CAP is devolved so each devolved administration has to comply with meeting the legislative framework of the CAP and manage the direct payments to farmers.

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214 Defra, Farming regulation changes proposed, 12 July 2018
215 HM Government, Explanatory Memorandum for European Union Legislation, 21 June 2018
Outside of the CAP reform process, UK farm policy can be more flexible and tailored to UK priorities and farming systems. The EU Commission is also proposing to ensure more flexibility for Member States within the next CAP round (see below). However, this aim is somewhat constrained by the need to agree and provide some form of common framework for 27 Member States.

### 7.3 Current levels of farm support

**Box 2: Current levels of funding for farm support**

- The UK allocation over the 2014-2020 period of the current CAP is €25.1 billion (c.£22.3bn) in direct payments (Pillar 1) and €2.6 billion (£2.3bn) in rural development funds for rural development and the environment (Pillar 2).

- The UK Government has pledged to maintain the “same cash funds” of support for farmers (as they receive under the CAP) until the end of the Parliament, expected to be 2022.

- Farmers will then have some form of guaranteed payments for a transition period expected to last until at least until 2024.

Currently CAP support through both the Basic Payment Scheme and rural development grants can make up to around 50-60% of farm incomes in England. In other parts of the UK it is a much larger proportion, mainly because there is more land which has more difficult farming conditions e.g. hill farming.

Table 4 below sets out CAP related payments as a proportion of total income from farming in 2017 (including both Basic Payment Scheme and agri-environment schemes). It clearly shows that in Wales in 2017 that payments were actually larger than the profits from agriculture with payments representing more than 50% of their profits. Table 5 provides the total income and total payments figures to illustrate this further.

It should be noted that some of these payments e.g. for agri-environment schemes are already designed to compensate for income foregone by the farmer to provide environmental measures etc.

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218 GOV.UK, [Farming for the Next Generation](https://www.gov.uk/government/publications/farming-for-the-next-generation), 5 January 2017

In Northern Ireland Pillar 1 of the CAP currently provides approximately €327m per annum of direct support to Northern Ireland farmers. Over the last five years, direct CAP support (Pillar 1) amounting to £1.3bn has accounted for 83% of the cumulative total income of the Northern Ireland (NI) agricultural industry. In two of these years, the industry (as a whole) would have been in a loss-making position without this support. In the same time, farmer-facing rural development measures have delivered just over £200m of EU funding and associated national monies to improve both economic and environmental performance.220

CAP support is made up of direct payments under the Basic Payment Scheme and payments for agri-environment measures and grants for rural development projects which contribute to wider rural development objectives under the Rural Development Programmes for each part of

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220 As above
the UK. The CAP also has mechanisms to regulate the organisation of EU agricultural markets.

Each administration has its own schemes. For example the agri-environment scheme in England is *Countryside Stewardship*. In addition, up to 30% of direct payment support is linked to specific ‘greening measures’ such as maintaining permanent grassland. However, environmental measures linked to the direct payments, (rather than specific agri-environment schemes) have had limited impact.221

Farmers also have to comply with a range of environment and farm management practices to receive their payments. This is known as cross-compliance.

Table 5 shows the total UK CAP payments over the last 6 years across the UK. These are paid in Euros based on an average of the European Central Bank exchange rates.222

**Table 5: CAP payments in the UK**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total England CAP payments</td>
<td>2,761</td>
<td>2,696</td>
<td>2,777</td>
<td>2,792</td>
<td>2,714</td>
<td>2,533</td>
<td>2,626</td>
</tr>
<tr>
<td>Total Wales CAP payments</td>
<td>413</td>
<td>417</td>
<td>426</td>
<td>406</td>
<td>413</td>
<td>367</td>
<td>338</td>
</tr>
<tr>
<td>Total Scotland CAP payments</td>
<td>779</td>
<td>826</td>
<td>840</td>
<td>819</td>
<td>757</td>
<td>799</td>
<td>584</td>
</tr>
<tr>
<td>Total Northern Ireland CAP payments</td>
<td>384</td>
<td>388</td>
<td>390</td>
<td>400</td>
<td>415</td>
<td>410</td>
<td>379</td>
</tr>
<tr>
<td>Total UK CAP payments</td>
<td>4,337</td>
<td>4,327</td>
<td>4,433</td>
<td>4,417</td>
<td>4,299</td>
<td>4,109</td>
<td>3,927</td>
</tr>
</tbody>
</table>

Notes:
Information based on EU financial year 16th October – 15th October. Figures exclude financial corrections/penalties.
Source: Agriculture in the UK datasets: Chapter ten - public payments

**Impact of subsidies on farming practice**
Direct Payments provide farmers with important income support to withstand protracted periods of low prices.

The Ulster Farmer’s Union (UFU) has said:

> The funding farmers receive is not a luxury. Without it most family farms in Northern Ireland would not be viable. By producing food and looking after the countryside, farmers deliver jobs and environmental benefits for society – and the government has given this welcome recognition.223

Farm subsidies have very much shaped UK farming practice and business structures and some commentators and farmers believe that this has hampered innovation and competitiveness.224

**Anderson’s Outlook 2017**, the annual take on the industry from a farm business consultancy notes:

221 Alliance Environnement, *Evaluation of the CAP greening measures*, November 2017
222 See for example, Rural Payments Agency, *BPS 2017 Payments Exchange Rate set*, 29 September 2017
223 UFU, *UFU welcomes Gove’s commitment on food policy but warns change still poses a threat*, 5 January 2018
... it is a salutary fact that, without subsidy, over the last 20 years UK farming has not, on aggregate, made a profit from growing crops and husbanding livestock.

However, issues with this approach have been raised. The House of Lords EU Energy and Environment Sub-Committee’s 2016 report on price volatility in the agricultural sector noted that subsidies can also reduce incentives for innovation and efficiency gains and hold back much needed structural change. This is because direct payments offer farmers a guaranteed income regardless of their actions to improve resilience.225

The Committee heard evidence from Barclays and HSBC that sectors that did not benefit from direct payments might be better prepared to operate in competitive markets. They cited the pig and poultry sectors, along with horticulture as being ahead in terms of having the business knowledge and recording systems to understand their production costs.

A report by Andersons for the Oxford Farming Conference in 2014 highlighted the same message concluding that “direct subsidies don’t help competitiveness, but the subsidised sectors should look to learn more from unsupported sectors in and out of agriculture”.226

7.4 The influence of the next EU CAP reform

The current round of CAP spending is for 2014-2020. As the UK leaves the UK the EU Member States will be preparing to embark on the next CAP round for 2021-2027.

The Commission has proposed that funding for the CAP is ‘moderately reduced’ by around 5% ‘to reflect the new reality of a Union at 27.’ The Commission has said that the policy will be ‘modernised’ to ensure that it can still ‘deliver with less and even serve new priorities’.227

The Commission proposal for the multiannual financial framework (MFF) 2021-2027 includes €365 billion for the CAP (in current prices). This corresponds to an average share of 28.5% of the overall EU budget for the period 2021-2027. Out of this amount for the CAP:

- €265.2 billion is for direct payments
- €20 billion for market support measures (European Agricultural Guarantee Fund - EAGF) and
- €78.8 billion is for rural development (European Agricultural Fund for Rural Development - EAFRD).228

In November 2017, the European Commission published its Communication on the Future of Food and Farming which set out the

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225 House of Lords European Union Committee, Responding to price volatility: Creating a more resilient agricultural sector, 16 May 2016, HL Paper 146-I, para 124
227 European Commission, EU budget: Commission proposes a modern budget for a Union that protects, empowers and defends, 2 May 2018
228 European Commission Press Release, Factsheet: EU Budget: The CAP beyond 2020, 1 June 2018
Commission’s vision of the future CAP. This is essentially a simpler, smarter, more modern, sustainable CAP with a new delivery model.\textsuperscript{229} The Commission intends to increase the flexibility introduced in the last round for Member States’ to tailor the CAP options to their particular farming needs in meeting the overall EU goals.

EU Agriculture Commissioner Phil Hogan has described the proposed approach as an “evolution, not a revolution”.\textsuperscript{230}

**Draft Legislative Proposals**

On 1 June 2018, the European Commission presented its legislative proposals on the future of food and farming. These take account of available evidence on the performance of the policy so far.\textsuperscript{231}

As the UK develops its new agriculture policy outside of the CAP, the new CAP itself may take different directions which will influence UK/EU farmers interactions and trade.

The Commission’s own deregulation initiative (the REFIT Platform) has highlighted the need to reduce the regulatory burden of the CAP and improve its value for money and increase its integration with other policy areas. It has put the focus on “the excessive administrative burden” of the current greening measures, the control and audit system and the growing overlaps between Pillar I and II.

The Commission describes the new legislative proposals as making the CAP ‘apt to respond to future challenges’ and has said that the CAP ‘remains at heart a policy designed to support European farmers and ensure Europe’s food security, while guaranteeing a resilient, sustainable and competitive agricultural sector’.\textsuperscript{232}

The next CAP is intended to shift the emphasis from compliance and rules towards results and performance.

**Themes for the next CAP**

The European Commission has proposed that the next CAP will be based on nine objectives:\textsuperscript{233}

- to ensure a fair income to farmers
- to increase competitiveness
- to rebalance the power in the food chain
- climate change action
- environmental care
- to preserve landscapes and biodiversity
- to support generational renewal
- vibrant rural areas

\textsuperscript{229} COM (2017) 713 Final, *The Future of Food and Farming*, 29 November 2018
\textsuperscript{230} EurActiv, *Parliament cautiously welcomes a new post-2020 CAP vision*, 30 November 2017
\textsuperscript{231} EurActiv, *Parliament cautiously welcomes a new post-2020 CAP vision*, 30 November 2017
\textsuperscript{232} European Commission, *Future of the Common Agricultural Policy* [as viewed on 15 July 2018]
\textsuperscript{233} European Commission website, *Future of the Common Agricultural Policy* page [as viewed on 2 September 2018]
to protect food and health quality.

Through strategic plans, countries will set out how they intend to meet these 9 EU-wide objectives using CAP instruments while responding to the specific needs of their farmers and rural communities.

Key elements proposed for the new CAP
The European Commission’s fact sheet EU Budget: The CAP beyond 2020 (June 2018) summarises the proposals for the next CAP. There are no radical new features proposed for the next CAP but the Commission’s proposals do simplify and modify a range of previously unpopular measures. For example, the greening measures required to secure 30% of the Basic Payment have been criticised by farmers and environmental groups alike for being overly bureaucratic with little environmental benefit. The proposals have similarities with the UK’s aims of simplifying and improving scheme flexibility as well as capping payments and focusing on environmental improvement. However the principle of basic payments remains.

- **Income support** will remain ‘an essential part of the CAP’ to ensure predictability and stability
- **Basic Payments** will continue to be based on the farm’s size in hectares.
- **Small and medium-sized farms** will be prioritised with a higher level of support per hectare
- **Member States** will be required to dedicate at least 30% of their rural development budget to environment and climate measures.
- **Young farmers** will be encouraged to join the profession with 2% of direct support payments allocated to each country to be set aside for young farmers complemented by financial support under rural development and measures facilitating access to land and land transfers.
- A reduction in the share of direct payments received above €60,000 per farm and payments limited to €100,000 per farm to ensure a fairer distribution of payments
- **Higher ambition on environmental and climate action,** Farmers will have the possibility to contribute further and be rewarded for going beyond mandatory requirements. The CAP will maintain voluntary agri-environment schemes to incentivise farmers. Member States will be required to make a system of farm advisory services available to farmers which will cover areas such as compliance with environmental legislation, risk management and access to innovation and technology.
- **Mandatory requirements proposed include:**

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- **preserving carbon-rich soils** through protection of wetlands and peatlands
- obligatory nutrient management tool to improve **water quality**, reduce ammonia and nitrous oxide levels
- **crop rotation** instead of crop diversification

- To make environmental protection easier, the Commission will set a common set of EU standards and objectives which each country can adapt. For example, the EU will set a simple obligation for crop rotation and each country can define crop rotation requirements adapted to their farms.

- **Tougher food safety and quality requirements** with financial support only given when there is compliance, for example with rules on reducing the use of pesticides and antibiotics.

- Member States will be able to design their own control and penalty system and be able to suspend payments to farmers in cases of continued underperformance.

- Supporting the next generations of farmers through mentoring, knowledge transfer, succession plans and encouraging EU countries to do more nationally e.g. with more flexible rules on taxation and inheritance.

- setting tougher **food safety and quality** requirements on farmers, by giving financial support only when complying with rules on reducing the use of pesticides or antibiotics for instance.

- A specific budget of €10 billion from the **Horizon Europe programme** will be set aside for research and innovation in food, agriculture, rural development and the bioeconomy.

### 7.5 Stakeholder reaction

At the **EU Agriculture and Fisheries Council** on 18 June 2018, EU agriculture and fisheries ministers discussed the post-2020 CAP reform package and the agricultural market situation.\(^{235}\)

Farming Minister, George Eustice represented the UK, His **statement** following the Council highlighted that:\(^{236}\)

> ..Member states expressed a range of views, with some of them concerned about planned budgetary cuts. Member states agreed on the importance of achieving real simplification. The Commission signalled further discussion on this topic and welcomed further constructive recommendations from member states.

> The Commission also gave an update on the agricultural market situation, giving a generally positive assessment of the health of EU markets.

The European Farming Union, **Copa Cogeca** has said that it is very concerned about the impacts of the Commission’s proposals, It views

\(^{235}\) European Council, **Agriculture and Fisheries Council: June 2018**, 18 June 2018  
\(^{236}\) HCWS 820 3 July 2018
direct payments as being “eroded” further under the proposal when they are the “best and by far most efficient way to stabilise farmers’ income and to help them better manage income risks”. Copa Cocega opposes any capping or degressivity of payments.\textsuperscript{237}

Farm Europe, a think-tank specialised in farming issues, has estimated that farmers’ income would be reduced by 16 to 20% and this would eventually result in a “massive exodus” from the rural areas.\textsuperscript{238}

The Institute for European Environmental Policy (IEEP) has highlighted that the proposals do not align the bulk of CAP spending with the ambitious delivery of public goods because of the continued focus on direct payments, even with the redistribution proposed.

The IEEP argues that this:\textsuperscript{239}

\textit{…continues a system that has been shown to be an inefficient, ineffective and inequitable way of supporting policy goals, including farmers’ incomes.}

The IEEP also notes that although the environmental components of the CAP have some welcome additions e.g. crop rotation and a farm nutrition management tool, the existing requirements are largely maintained. In addition, Member States have a good deal of discretion to set the level of ambition which does not signal what the IEEP terms the ‘urgent need to lift the environmental performance of the CAP on a progressive basis as it remains largely based on static requirements.’

Despite this, the IEEP views the mandatory proposed eco-scheme as an opportunity to pay farmers proportional to the level of ambition achieved.

### 7.6 How do other countries support their farmers?

Most countries offer some farm support. Globally, the use of protectionist measures and subsidies is higher in agriculture than in any other sector, but their use has been falling over the past three decades.

In OECD countries, agricultural producer support dropped from almost 2.5% of GDP in 1986 to 0.4% in 2015.\textsuperscript{240} Countries mainly offer farm support to help to stabilise incomes with farmers exposed to volatile markets but these interventions are also usually tied up with issues around food security and protecting the environment.\textsuperscript{241}

However, the OECD’s \textit{Agricultural Policy Monitoring Evaluation 2018} found that in the period 2015-17 almost two-thirds of producer support...

\textsuperscript{237} Euractive, \textit{European Commission under fire after new CAP proposals unveiled}, 1 June 2018

\textsuperscript{238} As above

\textsuperscript{239} IEEP, \textit{What is the fate of environmental ambition in the proposed EU agriculture policy?} 1 June 2018

\textsuperscript{240} Chatham House, \textit{The Implications of Brexit for UK, EU and Global Agricultural Reform in the Next Decade,November 2017 and OECD, Agricultural Policy Monitoring and Evaluation, 2017}

\textsuperscript{241} See Dieter Helm, \textit{Agriculture after Brexit}, Oxford Review of Economic Policy, vol 33, 1 March 2017 for an overview of why countries provide farm support.
across the 51 countries covered continued to be provided via measures that distort farm business decisions particularly strongly. The latest study notes:

It is imperative that consideration be given, on a much more urgent basis, to shifting the policy effort towards addressing these challenges. Doing so requires a clear separation of measures that provide income support to farm households in need, from measures that would underpin increased farm productivity, sustainability, resilience, and overall profitability. Targeting transitional income support to farm households in need can both make that support more effective and free-up resources for public investment in agricultural innovation, environmental care, and resilience.

In terms of supporting resilience in the agricultural sector the OECD also recommends that Governments should:

…streamline their risk management policies by clearly defining the limits between normal business risks, risks for which market solutions can be developed, and catastrophic risks requiring public engagement. Doing so enables pre-defined public intervention, when required, while sending clear signals to farmers and other private agents for developing relevant on-farm and market-based, privately-organised risk management tools.

Governments can also play a proactive role in providing information on market risks and coping strategies for farmers and the private sector in order to facilitate the development of risk management strategies and tools.

A number of countries have moved away from support and towards a more market-orientated approach. New Zealand is a key example: government support for agriculture is just 1% of farm income, well below the OECD average of 18% and the EU’s 22%.

However, some emerging economies have gone against the trend in falling producer support and have increased support to agriculture. Norway, along with Switzerland, Iceland, Korea and Japan is supporting its producers at levels close to, or above, 50% of gross farm receipts, despite reductions in support since the mid-1990s.

The AHDB’s 2016 report Agricultural Policy Models in Different Parts of the World, summarises a range of agricultural policies.

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242 OECD, Agricultural Policy Monitoring and Evaluation 2018, Summary, June 2018
243 As above
244 Agriculture and Horticulture Development Board, Agricultural Policy Models in Different Parts of the World, 4 August 2016
245 OECD, Agricultural Monitoring and Evaluation Report 2017
246 OECD, Agricultural Monitoring and Evaluation Report 2017
8. A new approach to regulation?

As well as developing new post-Brexit farm support schemes, the UK government is taking Brexit plans as an “opportunity to foster a new regulatory culture in agriculture”. This includes simplified farm regulation and new emphasis on some environmental impacts of farming. Depending on the final agreement with the EU, the UK will also potentially need to develop some new regulatory structures to replace EU systems and processes.

The UK Government’s 25 Year Environment Plan sets out a variety of continuing action on the environmental impacts of farming, including water pollution from fertilisers. It also puts a new emphasis on improving soil health and sets out the aim of ensuring the sustainable management of soil by 2030 and establishing sufficient data to understand the current state of soil health.

In October 2017, speaking at a Sustainable Soils Alliance event, Michael Gove said that ‘bold new measures to protect and restore soil health’ must be at the heart of the forthcoming Agriculture Bill as well as the Plan.

8.1 Regulation review – simplified farm regulation

Environment Secretary, Michael Gove has commissioned a farm inspection review for England conducted by Dame Glenys Stacey.

The Interim report from the independent Farm Inspection and Regulation Review (July 2018) states that there are ‘compelling arguments for one multi-skilled field force, under the command and direction of one regulator day to day and in an emergency.’

Simplified inspection is also considered in the other post-Brexit consultations across the UK including that of the Welsh Government.

8.2 Pesticides

The UK currently works within an EU regulatory system of pesticide approval. Active ingredients are authorised at EU level for use across Europe but Member States authorise the specific products which make use of these ingredients and set conditions for their use. The competent authority for doing this in the UK is the Chemicals Regulation Directorate (CRD) in the Health and Safety Executive.

The UK Government has said that it is “considering future arrangements for the regulation of pesticides” as part of the preparation for EU exit and “remains of the view that decision on the use of pesticides should be based on careful scientific assessment of the risks”.

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247 Annex A: Stakeholder proposals (last updated 14 August 2018)
248 Soil Association, Secretary of State commits to soil health, 25 October 2017
249 PQ 1510 4 July 2017
The Government has also indicated how the transition to a UK based system would work:\(^250\)

The EU Withdrawal Act 2018 converts the current EU legislation controlling pesticides used in agriculture into retained law in the UK…

…it will be necessary to make some minor corrections by statutory instrument but only where this is necessary so that the regulations can continue to work sensibly in a non-EU context, for example, replacing EU processes set out in the regulations with national processes.

We are also planning for the regulatory capacity we would need to implement the regulation of plant protection products in the UK, building on the existing capacity in the Health and Safety Executive’s Chemicals Regulation Directorate.

The Government has not indicated what kind of approach to pesticides regulation it might take in the future. However, the 25 Year Environment Plan includes commitments to:\(^251\)

- encourage the minimum use of pesticides with a stronger emphasis on the holistic Integrated Pest Management approach (IPM) e.g. using effective crop rotation and natural predators. This will include reviewing the UK National Action Plan for the Sustainable Use of Pesticides in 2018.

- maintain EU restrictions post-Brexit on the use of neonicotinoid pesticides because of the “growing weight of scientific evidence” that they are harmful to bees and other pollinators. The Plan states that any continuing use should be limited and permitted only where the environmental risks are shown to be very low.

### 8.3 Genetically Modified Food

Currently, the UK doesn’t grow any genetically modified (GM) produce domestically on a commercial basis but does import GM maize, soya, and much animal feed from GM backgrounds.\(^252\)

Defra and the devolved administrations are the regulatory bodies responsible for decisions on the release of genetically modified organisms (GMOs) into the environment.

The Food Standards Agency (FSA) in England, Wales and Northern Ireland and Food Standards Scotland lead on the marketing of GMOs as food or animal feed products.

Applications for new Genetically Modified Organisms (GMOs) are managed at EU level and include an assessment of the application by the European Food Safety Authority (EFSA) as well as by the national authorities of the EU Member States. The Commission can propose a GMO to be authorised only when there is a favourable risk assessment

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\(^{250}\) HC PQ 163617, 18 July 2018

\(^{251}\) HM Government, A Green Future: Our 25 Year Plan to improve the environment, January 2018

\(^{252}\) Dodds Information, The future of food: Will Defra embrace GMOs post-Brexit, 13 June 2018
by EFSA. Member States vote within a regulatory committee on the authorisation decision proposed by the Commission.

Where licensing decisions are currently taken as part of a centralised EU process, the Government has said that the intention is for the EU rules to be converted into UK law so that a similar regulatory framework will apply after the UK’s withdrawal from the EU.

Discussions are ongoing between Defra, the FSA and DAs on how best to convert the EU arrangements.253

Defra’s no deal guidance, Developing Genetically Modified Organisms (GMOs) if there’s no Brexit Deal for no deal on GMOs states that there will be “no significant implications for UK stakeholders”.254

Regulatory decisions on proposed GM trials would continue as usual on a devolved basis and the UK would apply the same risk assessment process for regulatory decisions on marketing GMOs as currently takes place at EU level (although it is not yet decided whether this would be on a joint-UK basis or separately across the devolved legislatures).

As the UK would be treated as a third country, UK businesses would only be able to export GMO products to the EU if the GMO had EU marketing approval. This would be the same for the EU with UK marketing approval.

8.4 Food Labelling

The UK Government has acknowledged that “there will be further opportunities as we leave the EU to look at what more customers would like to see” from food labelling.255 For example, increasing the food information available, improving consumer transparency and helping consumers to identify high-quality British food.256

The NFU has been campaigning across the UK to improve the information available to online shoppers about country of origin. It has said that best practice would be for retailers selling online to identify British products on the listing page with a British flag, which makes British products easily identifiable. A British ‘filter button’ would give online shoppers the ability to easily choose British products.257

The House of Commons Environment, Food and Rural Affairs Committee has been regularly calling for the Government to improve country of origin labelling following EU Exit and to introduce mandatory method of production labelling.258

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253 HC Written Question 120296 8 January 2018
254 Defra, Guidance: Developing Genetically Modified Organisms (GMOs) if there’s not Brexit deal, 23 August 2018
255 HC Deb T3 October 2016 c428
256 HI 3093, 22 November 2016
257 NFU Online, NFU underlines the importance of post-Brexit food labelling, 12 September 2017
258 Para 106
Protected Names
The EU has a protected food names scheme. Producers of certain agricultural, food or drink products associated with a particular region or traditional method of production can apply for a form of legal, intellectual property protection from imitation of misuse of the name within the EU.

A number of UK products currently benefit from this status which include association with a particular geographical location (PGI) or characteristics resulting from originating in a certain area (PDO), Box 2 provides examples. The Government has said that “significant” GI-protected products from the UK include Scotch whisky, Scottish farmed salmon, and Welsh beef and lamb. 259

The Scottish Parliament’s Information Centre (SPICe) briefing Geographical Indications and Brexit (August 2018) provides a helpful overview of the system and the related issues highlighted by Brexit.

Box 1: PGI and PDO
- **Protected geographical indications** (PGI) allow food and drink to have a protected status in terms of associating it with a geographical location. E.g. Welsh Lamb, Yorkshire Wensleydale Cheese, and Melton Mowbray pork pies.
- PGI is open to products which must be produced or processed or prepared within the geographical area and have a reputation, features or certain qualities attributable to that area.
- A **Product of Designated Origin (PDO)** registration describes products having characteristics resulting essentially from the geographical area and the know-how of the producers in the area of production. E.g. Anglesey Sea Salt and Orkney Beef.
- The .gov.uk page Protected Food Name Schemes: UK Registered Products provides further details.

Maintaining the protections after Brexit
Farming Unions across the UK have highlighted the importance of the UK’s protected food names as crucial for protecting and promoting the UK’s “iconic food provenance” at a time when potentially the UK could have more imported product coming onto the home market, particularly in meat and milk processed products.260

The UK Government has consistently said that it fully recognises the importance of these protections and ensuring that they are in place in the future. 261 The EU regulations which currently govern the

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259 Cm 9593, The UK’s Exit from, and new partnership with, the EU, 12 July 2018
260 NFU online, NFU underlines the importance of post-Brexit food labelling, 12 September 2017
261 PQ 47478 [on food labelling] 17 October 2016
enforcement of geographical indications will be placed on a UK legal basis through the EU (Withdrawal) Act 2018.\textsuperscript{262}

The latest Brexit White Paper, based on the Chequers Agreement sets out the UK’s intention to have its own GI scheme after Brexit:

39. The UK will be establishing its own GI scheme after exit, consistent with the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS). This new UK framework will go beyond the requirements of TRIPS, and will provide a clear and simple set of rules on GIs, and continuous protection for UK GIs in the UK. The scheme will be open to new applications, from both UK and non-UK applicants, from the day it enters into force.\textsuperscript{263}

DExEU Minister Robin Walker said in 2017 it was the Government's intention to “seek agreement with the European Union on mutual recognition of protected names of origin” and that his department will continue to work on its delivery with Defra as the Government enters the future partnership negotiations.\textsuperscript{264}

Agreement has been reached to continue the mutual recognition of GIs during any transition period following Brexit. However, the EU has identified continued recognition of GIs after Brexit as an issue to be addressed in the Withdrawal Agreement.

Chief Negotiator, Michel Barnier, told the House of Commons Exiting the EU Committee in September that geographical indications were still one of the “important points of disagreement regarding an orderly withdrawal” despite the UK and EU having agreed “more than 80% of the Withdrawal Agreement” on some major subjects.\textsuperscript{265}

The AHDB has advised how the protections could continue after Brexit:

When the UK leaves the EU, registered protected food names should be able to benefit from EU protection against imitation, provided there is a reciprocal agreement between the UK and the EU. There are currently 23 EU GI product registrations from non-EU countries. If the UK wishes to register protected food names post-Brexit with the EU, it would first need to set up its own national approval scheme. Only when products have been approved by a non-EU country’s own national scheme can they be considered for approval under the EU protected food scheme. These products would also be protected by countries which have a Free Trade Agreement or bilateral agreement with the EU.\textsuperscript{266}

WTO rules require that the UK would offer some protection for the EU’s protected food names. Equally the EU is required to offer minimum protection to any traditional products from third countries which are protected in their own domestic markets. The UK could therefore establish its own national approval scheme as the ADHB highlights.

\begin{footnotesize}
\textsuperscript{262} HL 9259 17 July 2018 and HC Deb 2 November 2017 c1483  
\textsuperscript{263} Cm 9593, The UK’s Exit from, and new partnership with, the EU, 12 July 2018, para 39  
\textsuperscript{264} HC Deb 2 November 2017 c 965  
\textsuperscript{265} HC 372, Oral evidence to the House of Commons Exiting the EU Committee, The Progress of the UK’s negotiations on EU Withdrawal, 3 September 2018  
\textsuperscript{266} Agriculture and Horticulture Development Board, The impact of Brexit on protected food names, 6 December 2016
\end{footnotesize}
The Government considers that EU GI protections will continue for products already listed on EU registers, irrespective of the outcome of negotiations. Farming Minister George Eustice wrote to Baroness Verma in July 2018 explaining that:

This is because UK GIs are already protected by virtue of being on the EU’s GI registers, having earned their right to be there by successfully passing the EU’s scrutiny processes.

The current EU legislation means that EU GI protection is indefinite unless specific grounds for the cancellation of GIs from the EU schemes are met. These are: compliance with the GI specification is not ensured; or no product is placed on the market under the protected name for at least seven years. Under most of the EU schemes, producers of the GI, a third country or an EU Member State can also request that a GI be cancelled for these reasons. Therefore, protection will continue automatically in the EU unless the relevant entries are removed from the EU registers on one of the above grounds. None of the grounds for cancellation relate to a change in status from a Member State to a third country.267

Organic food
All organic food and drink sold in the EU has to meet the EU organic regulation, this is shown by the green leaf logo on packaging. EU law requires all organic food and drink to be certified by a recognised body, For example, Soil Association Certification Limited is one of the UK’s organic certification bodies. It carries out inspections and awards organic certification to farms and businesses that meet its standards.268

Defra’s ‘no deal’ notice on organic food sets out how UK businesses could experience delays of up to 9 months after a no deal Brexit because UK organic control bodies offering the necessary certification would need to be approved for operation in the UK by the EU. The UK is hoping to find ways to speed this process up.269

The NFU has highlighted how this would in effect be a trade embargo on UK organic products and could have wider, disruptive implications for the future trade of all agri-food products if all of them were subjected to the same problems in approvals and certification. The FDF has pointed out that similar issues will apply for other food currently displaying EU marks or logos.270

Farmers Weekly has reported that although no official data is available, it is estimated that about 10% of the UK’s organic output (worth some 2.2bn in 2017) is exported and predominantly to EU countries.271

The Government has said that it anticipates ‘continuing to accept EU organic products in a ‘no deal’ scenario, but this will be at the UK’s discretion’ and it expects to negotiate an equivalency arrangement.

268 Soil Association, What are organic standards? [as accessed on 7 September 2018]
269 Defra, Producing and processing organic food if there’s no Brexit deal, 23 August 2018
270 As above
271 No deal Brexit could wipe out British Organic Farming, Farmers Weekly, 23 August 2018
because the UK will be retaining existing EU requirements for organic food.

The technical notice also states that certification and traceability of organic food and feed products will continue to be required by the UK. However, a new UK-owned imports traceability system would replace the current EU TRACES.NT system to ensure the traceability of organic food and feed. The EU Trade Control and Expert System (TRACES) tracks the entire trade and certification process for animals, food, feed and plants. The FDF doubts the UK Government's ability to replace TRACES with a new, comprehensive, functional UK alternative IT system in time for EU Exit Day.\textsuperscript{272}
9. Trade Issues

Currently, there is free movement of all goods within the EU, with no tariffs or quotas on trade between EU member states. The Customs Union means the EU sets a common external tariff on goods imported into the EU from non-EU states.

The impact of Brexit on UK agricultural trade will depend on any trade deal negotiated with the EU and the terms of Free Trade Agreements negotiated with other countries. It could have markedly different impacts across different sectors under different scenarios. The impact will also depend on how agriculture fares in trade-offs with other sectors in trade deals and how farmers adapt to new post-Brexit support arrangements.

Sir Ivan Rogers, the UK Ambassador to the EU until January 2017, warned an NFU audience in November 2017 that they should prepare for a turbulent Brexit likely to see agricultural interests traded off.273

The Government’s economic aims include growth in the export of UK food and feed products to both EU and non-EU markets.274 The UK has a trade deficit in food and feed products with both the EU and with non-EU countries (taken as a whole).

In 2017 the UK imported over £46 billion of food, feed and drink products and exported around £22 billion of the same with Scotch whisky being the largest single export at £4.5 billion. This compares with dairy and egg exports of £1.8 billion for example.275

The UK provides around 60% of its own food needs. It is reliant on imports to secure food supplies to meet the volume, choice and standard of products to meet consumers’ needs and preferences including to provide products that the UK does not produce.

The Library briefing on Brexit: Trade in Agriculture provides more information.276

In April 2018, Farming Minister George Eustice indicated where the UK saw opportunities for increasing UK agricultural production:277

There are sectors where the UK could, in the medium term, increase its production and processing of certain agricultural products to displace imports from the EU These include beef, pork, dairy, fruit and vegetables including through increased glasshouse production. The government will consider how best to support these sectors to take advantage of the opportunities of leaving the EU and becoming an independent country in control of our own agricultural policies in future.

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273 NFU online, Sir Ivan Rogers outlines British challenges at NFU’s inaugural Henry Plumb Lecture, 21 November 2017
274 Defra and Department for International Trade, UK Food and Drink International Action Plan 2016-20, 2016
275 Defra and Devolved Administrations, Agriculture in the United Kingdom 2017, May 2018
276 Commons Library briefing, Brexit: Trade in Agriculture, CBP 7974, 29 June 2017, WO 136206 25 April 2018
277
9.1 What does the EU want?

The March 2018 negotiating guidelines from the European Council set out what the EU wants from a future partnership with the UK. It states that:278

- Member States are ready to work towards a “balanced, ambitious and wide-ranging free trade agreement (FTA) insofar as there are sufficient guarantees for a level playing field”.

- The FTA will be finalised and concluded once the UK is no longer a Member State.

- Such an agreement cannot offer the same benefits as Membership and cannot amount to participation in the Single Market or parts thereof.

- The agreement will aim to cover all sectors and seek to maintain zero tariffs and no quantitative restrictions with appropriate accompanying rules of origin. It will also cover sanitary and phytosanitary (SPS) measures i.e. those relating to plant and animal health.

House of Commons Library Briefing Paper, Brexit: new guidelines for the framework for future EU-UK relations, published in April 2018 provides further information on the EU position.279

9.2 UK Government position

Chequers agreement and White Paper (July 2018)

On 6 July 2018, the UK Government Cabinet met at Chequers to agree a revised Brexit negotiating position.

A statement published following the meeting set out the high-level position which includes proposing a ‘free trade area for goods’ with the UK and EU maintaining a ‘common rulebook for all goods including agri-food.’ The UK would have the choice to opt out of new legislation in this area should it wish, recognising that there would be consequences for market access and/or the frictionless border. It is envisaged that there would be a different arrangement for services.280

The Brexit White Paper published on 12 July 2018 provided further detail.281 The Prime Minister’s Foreword set out a Brexit which involved:282

...leaving the Single Market and the Customs Union, ending free movement and the jurisdiction of the European Court of Justice in this country, leaving the Common Agricultural Policy and the Common Fisheries Policy, and ending the days of sending vast sums of money to the EU every year.

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278 European Council, EC (Article 50) guidelines on the framework for the future EU/UK relationship, 23 March 2018

279 House of Commons Library Briefing Paper, Brexit: new guidelines for the framework for the future EU-UK relationship, CBP 8289, 19 April 2018

280 HM Government, Statement from Chequers, 6 July 2018

281 Cm 9593, The UK’s Exit from, and new partnership with, the EU, 12 July 2018

282 As above, p.1
The paper refers to a move out of the Common Agricultural Policy “ensuring that we can better meet the needs of farming” and sets out the Government’s belief that the new relationship needs to be “broader in scope than any other that exists between the EU and a third country” recognising the “unique starting point.” It refers to the UK and EU “taking a responsible approach to avoiding a hard border between Northern Ireland and Ireland.”

The White Paper sets out the Government’s vision is for an economic partnership that includes:

- a common rulebook for goods including agri-food, covering only those rules necessary to provide for frictionless trade at the border – meaning that the UK would make an upfront choice to commit by treaty to ongoing harmonisation with the relevant EU rules, with all those rules legislated for by Parliament or the devolved legislatures;
- participation by the UK in those EU agencies that provide authorisations for goods in highly regulated sectors – namely the European Chemicals Agency, the European Aviation Safety Agency, and the European Medicines Agency – accepting the rules of these agencies and contributing to their costs, under new arrangements that recognise the UK will not be a Member State;
- the phased introduction of a new Facilitated Customs Arrangement that would remove the need for customs checks and controls between the UK and the EU as if they were a combined customs territory, which would enable the UK to control its own tariffs for trade with the rest of the world and ensure businesses paid the right or no tariff, becoming operational in stages as both sides complete the necessary preparations;
- in combination with no tariffs on any goods, these arrangements would avoid any new friction at the border, and protect the integrated supply chains that span the UK and the EU, safeguarding the jobs and livelihoods they support;

Environment Secretary, Michael Gove has previously said that he is confident of “building a new economic partnership with the EU” that guarantees tariff-free access for agri-food goods between the UK and EU. He has also highlighted that the Government is seeking to increase agricultural exports e.g. to China.

Stakeholder views

Farming bodies, (NFU Scotland, NFU, NFU Cymru and Ulster Farmers’ Union), welcomed the White Paper proposals in a joint statement highlighting that “the principle of a free trade area for goods, including agri-food, is vital for our sector” and that “It is our sector’s hope that

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283 Cm 9593, The UK’s Exit from, and new partnership with, the EU, 12 July 2018
284 Rt Hon Michael Gove, Farming for the next generation, speech to Oxford Farming Conference, 5 January 2018
we maintain the high levels of trade in agricultural goods between the UK and the EU, our largest market for agri-food products.”

The National Farmers Union of Scotland (NFUS) has highlighted the importance of UK access to markets in the EU and to other markets via Free Trade Agreement:

“It is vital to the future prosperity of Scotland’s farming and food sectors that the UK has the best possible access to markets in the remaining EU. Although the UK will not be a member of the EU, it will still be the UK’s major trading partner for the foreseeable future. The UK also benefits from more than 50 trade agreements with non-EU countries and these kind of arrangements, whether re-negotiated or not, must be in place in the future.

9.3 Tariff-free access to the EU?

Trade between EU member states is tariff free. Imports from outside the EU are subject to tariffs which are high in some cases. The average charge imposed by the EU on agricultural produce not granted preferential access to the European market is 12.2% but this rises for some meat products to up to 67%.

The UK would therefore need to reach a successful free trade agreement with the EU, covering agricultural products and services, for UK producers to avoid these tariff rates.

The EU also has a regime of “tariff rate quotas” (TRQs) which allow a certain volume of particular products to be imported into the EU at a reduced tariff rate. The Library briefing on Brexit: Trade in Agriculture provides more information.

Stakeholder Views

Scenario modelling by the Agriculture and Horticulture Development Board (AHDB), and the NFU, have shown the lamb and beef sectors to be potentially two of the most vulnerable sectors post Brexit. In particular the sectors’ prospects suffer if there is no comprehensive trade deal with the EU that maintains similar tariffs to now, and if subsidies are reduced or removed.

Concerns have also been raised across the UK. For example, the Welsh Assembly’s Climate Change, Environment and Rural Affairs Committee has highlighted the risks to Welsh producers, in particular lamb producers.

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285 UK Farming Unions Respond to Government Brexit White Paper, NFU Scotland, NFU, NFU Cymru, Ulster Farmers’ Union joint press release, 13 July 2018
286 WTO, World Tariff Profiles 2017, p81
287 Commons Library briefing, Brexit: Trade in Agriculture, CBP 7974, 29 June 2017
288 NFU online, NFU and AHDB team up for Brexit Roadshows, 25 October 2017
289 NFU Online, British Agriculture: The implications of a UK Exit from the EU – Summary of a study by the LEI Wageningen UR for the NFU of England and Wales, April 2016
290 Welsh Assembly Climate Change, Environment and Rural Affairs Committee, The Future of Land Management in Wales March 2017
Opportunities
Under all of the post-Brexit trading and support scenarios modelled by the AHDB, the top 25% of performers in all farm sectors, regardless of size, remain viable. AHDB is therefore calling on farmers to “get fit for the future” by learning from the high-performing farm businesses about the way they operate.291

The NFU study concluded that some sectors such as the poultry sector could have opportunities to increase productivity and incomes under a free trade agreement with the EU. The study also highlights that if imports from the EU become more expensive then there maybe opportunities for domestic suppliers to sell more produce locally.292

9.4 Regulatory standards: non-tariff barriers
Trade in agricultural products is also subject to non-tariff barriers. These include sanitary and phytosanitary (SPS) rules relating to plant and animal health. For example, imports of beef from animals treated with growth hormones are banned by the EU.

As part of the EU, the UK abides by regulatory standards on a range of issues affecting farming, including environmental standards for production methods and animal welfare.

Farming and environmental organisations have expressed concern about the potential for new trade arrangements to drive down food standards and animal welfare where countries exporting products to the UK have lower standards. For example, different rules to the UK on hormone-fed beef, use of anti-biotics, or density of stock in chicken farms. However, others have argued that food prices can be cut for consumers, without compromising product safety. The Adam Smith Institute argued that agreeing to import chlorinated chicken from the US would illustrate the UK’s willingness to adopt “sensible compromises” that could cut prices of chicken by 21%.293

Some of these issues are discussed in the House of Lords Library briefings Leaving the EU: Antimicrobial Resistance and Leaving the EU: Food Safety.

The Countryside Alliance argues against a “downward harmonisation of standards”.294 The Tenant Farmers Association (TFA) warns that imports to the UK are “not perfect substitutes” if the country of origin has differing animal welfare conditions and differing regulations. The TFA wants mandatory country of origin labelling on all major retailer sold food. They highlight the “general lack of awareness amongst consumers about the difference in quality of the products”.295

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291 NFU online, NFU and AHDB team up for Brexit Roadshows, 25 October 2017
292 NFU Online, British Agriculture: The implications of a UK Exit from the EU – Summary of a study by the LEI Wageningen UR for the NFU of England and Wales, April 2016
293 Adam Smith Institute, Blog, Don’t get in a flap about chlorinated chicken, 24 July 2017 [Accessed 11 September 2018]
294 Countryside Alliance, Brexit Policy Document, Sustaining a Living and Working Countryside outside of the European Union, April 2017
295 Tenant Farmers Association, A post EU farming policy for Britain, accessed 30 January 2018
In July 2017, Environment Secretary Michael Gove indicated that the UK should not “dilute” its animal welfare standards as part of any future trade deal. He also said in a Commons debate in July 2017:

The future for British farming is in quality and provenance, maintaining high environmental and animal welfare standards. We have a world-leading reputation based on doing things better, and that will not be compromised while I am in this Department.

Giving evidence to the Scottish Parliament’s Environment, Climate Change and Land Reform Committee in June 2018, Mr Gove also said that:

…we need to maintain high environmental standards, and high animal welfare standards for that matter, in any trade deal that we conclude. We want to do that not just because it is right morally but because it is the pragmatic, economic thing to do. Britain and the individual nations of the United Kingdom will succeed in the future on the basis that the products that we produce are known worldwide for the high-quality standards that lie behind them, and there is no future for the United Kingdom in trying to lead a race to the bottom.

Some European farming leaders have also stressed the importance of the UK maintaining its standards. The Danish Agriculture and Food Council Chair Martin Merrild closed a meeting of European farming leaders in April 2018 by saying:

What we are asking for is a future relationship that maintains a level playing field between the UK and EU. This means protecting the standards – the product standards as well as the production standards – on both sides of a future border. If this is achieved we are able to continue to provide high quality, sustainably produced food at competitive prices to the consumers.

A ‘no deal’ scenario

The National Farming Union (NFU) has said that a no-deal outcome is the worst possible one for the farming industry. The Food and Drink Federation has called ‘no-deal’ a “grisly prospect”. In a ‘no deal’ scenario for agriculture, trading arrangements i.e. tariffs and standards are the main issue, as well as access to labour (see section 10 below). Commons Library briefing Brexit: What if there’s no Brexit deal? sets out the implications of a no deal scenario across a number of areas including food and farming.

The UK Government issued the following no-deal technical notices relevant to agriculture on 23 August 2018:

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296 BBC News Online, Michael Gove: UK won’t accept US chlorinated chicken, 26 July 2017
297 HC Deb 20 July 2017 c959
299 NFU online, We have a shared farming future after Brexit say British and European farmers, 26 April 2018
300 NFU Online, Technical notice serves warning over continuity of British food exports, 23 August 2018
301 FDF, FDF response to Government’s no deal technical notices, 23 August 2018
• Farm payments if there’s no Brexit deal
• Receiving rural development funding if there’s no Brexit deal
• Producing and processing organic food if there’s no Brexit deal
• Developing Genetically Modified Organisms (GMOs) if there’s no Brexit deal

In view of the current regulatory regimes which are largely EU based, it is likely that future technical notices will also need to cover areas such as: food safety and food labelling, imports of food and feed, plants and seeds, veterinary medicines, fertilisers and pesticides.

For example, the Food Standards Agency (FSA) has highlighted that the UK’s departure from the EU will create gaps in the food safety regime for the UK. Some of the institutions which currently carry out regulatory activities Europe-wide will no longer carry out those activities on behalf of the UK and some systems used for administering the regulatory regime will not be available.\textsuperscript{302}

\textsuperscript{302} Food Standards Agency, \textit{An update on the FSA’s preparations for the UK’s Exit from the EU}, FSA Board Meeting, 20 June 2018.
10. Access to agricultural labour

Defra’s Health and Harmony White Paper (February 2018) acknowledges that a “significant proportion” of the agricultural workforce comes from outside of the UK and that stakeholders are concerned about this reliance on migrant workers.  

In 2014, there were more than 34,000 non-UK-born workers employed in UK agriculture, excluding the significant numbers of seasonal workers. There are an estimated 75,000 temporary migrant workers in agriculture every summer in the UK.  

The availability and willingness of the UK’s own labour pool to work seasonally on farms has been in long-term decline. The 1990s saw a general trend of increased employment of foreign nationals across various sectors in the UK and this has become especially important to the agricultural industry. The labour gap has been increasingly filled by workers from Eastern Europe where labour mobility increased with accession to the European Union in 2004.  

Ministers have indicated that Defra is working closely with the Home Office to “ensure that there is a long-term strategy for agricultural labour as part of our future immigration policy”.  

The Government has responded to particular concerns about seasonal migrant labour by announcing in September 2018 the introduction of a 2 year pilot scheme to allow non-EU nationals to work in the UK for 6 months. (see section below). 

The Brexit White Paper acknowledges the need for an implementation period following EU Exit “to avoid a cliff edge for businesses”. In the longer term, it indicates that the Government wants to “work with industry to encourage more domestic workers to enter the profession and attract the engineering, manufacturing, research and other STEM skills necessary for an increasingly sophisticated food and farming industry”. 

Under the implementation period agreement, employers in the agricultural and food processing sectors can continue to recruit EU citizens until the end of 2020. In June 2018, the Home Office also announced details of how EU citizens and their families can obtain settled status in the UK. 

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303 Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018, Cm 9577, Executive Summary, p.29  
304 Welsh Assembly Record, Plenary 28 November 2016, c 205  
305 CBP – 7987, House of Commons Library Briefing Paper, Migrant Workers in Agriculture, July 2017  
306 SRUC, Farm Workers in Scottish Agriculture: Case studies in the International Seasonal Migration Labour market, March 2018  
307 See for example, HL 8934 29 June 2018  
308 P.30  
309 Defra, Health and Harmony: the future for food, farming and the environment in a Green Brexit, 27 February 2018, Cm 9577, Executive Summary, p.29  
310 As above  
311 GOV.UK, Home Office publishes details of settlement scheme for EU citizens, 21 June 2018
Data
The Office for National Statistics set out some data on seasonal workers in its 6 February 2018 Labour in the Agriculture industry release. This notes that the NFU annual survey provides information on workers in the industry but that there are no official data sources.

The EFRA Committee’s report Feeding the Nation: Labour Constraints (April 2017) noted that official data on agricultural labour is need of review so that the sector has confidence in the adequacy of the data informing employment and immigration policies post-Brexit.

The Government has commissioned the Migration Advisory Committee (MAC) to assess the impact of leaving the EU on both seasonal and non-seasonal employment. The MAC is expected to report in September 2018. It produced an interim report on EEA workers in the UK labour market in March 2018.

10.1 Seasonal Agricultural Labour
Commons Library briefing Migrant Workers in Agriculture (July 2017) explains the extent to which EU seasonal workers are used for agriculture in the UK and also explains how a quota based Seasonal Agricultural Workers Scheme (1945-2013) used to work which was closed on the advice of Migration Advisory Committee.

BBC and British Summer Fruits surveys found that 78% of respondents said that recruitment had been more difficult in 2017 than the previous year, and more than half feared that they would not have enough migrant workers to harvest their crops. Low UK unemployment rates and the seasonal nature of farm work are often cited as key difficulties in attracting domestic pickers.

NFU research shows that the number of seasonal workers coming to work on British farms in 2017 dropped by 17%, which left some farms “critically short” of people to harvest fruit and vegetables. Scottish Rural Economy Minister Fergus Ewing was reported as stating in June 2018 that the loss of migrant workers was “not only a threat for the future but is damaging the soft fruit economy right now”.

A March 2018 report on seasonal workers by the Scottish Rural College (SRUC), commissioned by the Scottish Government, identified a range of reasons for reductions in EU seasonal workers including: uncertainties of Brexit, higher wages elsewhere (e.g. in Germany) and opportunities for work in home countries.

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312 Written Question 9095, 11 September 2017
313 Migration Advisory Committee, EEA-Workers in the UK labour market: Interim update, March 2018
314 NFU online, Is the seasonal cliff edge getting closer, 23 June 2017
315 As above
316 NFU online, Drop in seasonal workers leaves some farms critically short, 22 June 2017
317 The Courier, Farm worker shortages can only be fixed by giving Holyrood immigration powers, says minister, 14 June 2018
318 Scottish Rural College, Seasonal Workers in Scottish Agriculture, March 2018
A 2017 report by the UK Food and Drink Supply Chain Workforce Group (convened by the Food and Drink Federation) found that a third of organisations surveyed across the food and drink supply chain said that their business would become unviable without access to EU nationals.\textsuperscript{319}

The specialist horticulture sector is very reliant on EU migrant labour, particularly from eastern Europe. The study also found that a third of UK horticulture businesses would become “unviable” without access to EU workers.\textsuperscript{320}

**New pilot scheme for non-EU migrant workers**

In September 2018, the UK Government announced a new, two year pilot scheme to allow 2,500 non-EU nationals to come to the UK for 6 months each year to provide seasonal, agricultural support for fruit and vegetable farms.\textsuperscript{321}

Environment Secretary Michael Gove said that the Government had listened to farmers. He said:

> We have listened to the powerful arguments from farmers about the need for seasonal labour to keep the horticulture industry productive and profitable.

> From lettuce in East Anglia to strawberries in Scotland, we want to make sure that farmers can continue to grow, sell and export more great British food.

> This two year pilot will ease the workforce pressures faced by farmers during busy times of the year. We will review the pilot’s results as we look at how best to support the longer-term needs of industry outside the EU.\textsuperscript{322}

This pilot has very much been welcomed by farming organisations including the NFU and Horticultural Trades Association (HTA) who have highlighted the issues around seasonal labour and Brexit for a number of years.\textsuperscript{323} However, the NFU has called for it to be more ambitious.\textsuperscript{324} British Summer Fruits has also warned that the proposed pilot does not go far enough and would need to have 10,000 workers provided now to have an impact. BSF reports that the UK horticulture industry employs 60,000 EU seasonal workers with farms already reporting shortages of 10-20% this year. BSF’s June 2017 report *How Brexit could crush out soft fruit industry* warned how Brexit was exacerbating a worrying shortage of agricultural labour that “threatens to cripple home-grown berry production, increase our dependence on imports and drive up the price of soft fruit”.\textsuperscript{325}

\begin{footnotesize}
\textsuperscript{319} FDF, *Breaking the chain, Key workforce considerations for the UK food and drink supply chains as we leave the EU*, 23 August 2017

\textsuperscript{320} As above

\textsuperscript{321} Defra/Home Office, *UK farmers given support for seasonal labour with new pilot scheme*, 6 September 2018

\textsuperscript{322} As above

\textsuperscript{323} See NFU, *Seasonal Labour Pilot Scheme major win for NFU*, 6 September 2018

\textsuperscript{324} The Guardian, *Brexit: Farmers criticise temporary agricultural workers visa scheme*, 6 September 2018

\textsuperscript{325} See also British Summer Fruit, *Prices set to soar as a result of Brexit: Urgent activity needed to ensure essential workforce*, 26 June 2017
\end{footnotesize}
The pilot will be run by two scheme operators who will oversee the placement of the workers will be overseen by the Gang Masters and Labour Abuse Authority. Workers will have to be at least 18 years old. The pilot will start in spring 2019 until the end of December 2020.

The HTA reports that soft fruit production in the UK has grown dramatically, by 130% in the last 20 years. To ensure that this growth continues, and the UK is at the forefront of the next agriculture revolution, it has said that farmers must also look at ways that technology can reduce demands for this physical labour.326 However, it also recognises that automated harvesting solutions are not universally available and so, in the short term, this pilot will support farmers during peak production periods.

This time-limited pilot will also explore how to keep British horticulture competitive, as almost all other OECD countries source seasonal workers to pick fruit and vegetables.

10.2 Demand for labour in the wider food chain

There is also a high demand for non-UK workers in the wider food chain as well as on farms. The Food Standards Agency (FSA) has highlighted that its workforce, and the workforces of the agriculture, food and drink industries, draw heavily on nationals from other EU member states.327 Many of these jobs are not seasonal e.g. veterinarians or abattoir workers or those in the food processing sector.

The House of Commons Business Energy and Industrial Strategy (BEIS) Committee’s April 2018 report on The Impact of Brexit on the Processed Food and Drink Sector highlighted that access to EU nationals is crucial to the processed food and drink sector on four grounds:328

- hospitality (which is the second largest employer of EU nationals with 1 in 8 employees an EU national)
- R&D (where EU nationals are crucial in filling the skills gap for STEM roles)
- veterinary checks and
- manufacturing (where a third of the workforce—or 117,000 people—are EU nationals and 19 per cent of EU workers are in highly skilled roles).

The Veterinary Workforce

Vets have a key role in a number of regulatory areas including animal disease monitoring and surveillance, providing certification for the import and export of animals to third countries, and providing official

326 HTA, The Government announces a pilot scheme for non-EU migrant workers, 6 September 2018
327 Food Standards Agency, FSA’s preparations for the UK’s exit from the EU, 20 September 2017
328 House of Commons Business Energy and Industrial Strategy (BEIS) Committee, The Impact of Brexit on the Processed Food and Drink Sector, April 2018
controls at food exporting premises, abattoirs and border inspection posts.

The veterinary profession is heavily reliant on vets who qualify elsewhere in the European Union (approaching 50% of annual registrations). Estimates suggest 95% of Official Veterinarians working in abattoirs graduated overseas with the clear majority of these being non-UK EU graduates. In an April 2018 Commons debate, Leaving the EU: The Veterinary Profession in Wales, Environment Minister Dr Thérèse Coffey acknowledged that the UK can’t rely solely on domestic graduates to meet the demand for vets and is seeking mutual recognition with the EU regarding professional qualifications. She noted that agreements had already been reached at the European Council level for existing EU nationals in the UK veterinary workforce to continue to work in the UK after withdrawal and vice versa and for EU nationals to continue to be registered to work in the UK as vets in the implementation period.

Vets and the Shortage Occupation List

Although previously included, on the advice of the Migration Advisory Committee (MAC), vets are not currently listed on the current Home Office Shortage Occupation List (SOL). All of the main veterinary bodies are campaigning to get vets re-instated on the list. The MAC has been commissioned by Government to review the list and look at which posts are in national shortage and should be given priority within the Tier 2 cap in future. The review will conclude in Spring 2019. The MAC is also currently reviewing the economic and social impacts of Brexit in terms of labour needs and immigration systems.

Since 6 July 2018, there has been a temporary change to the Tier 2 (General) cap which will be kept under review. The Government has said that this was designed to address particular pressures facing the NHS but will mean that more spaces will be freed up within the cap for other sponsored high-skilled occupations, including vets.

10.3 A prompt for innovation?

The AHDB has suggested that labour shortages might be the catalyst for structural and other change:

The AHDB has suggested that labour shortages might be the catalyst for structural and other change:

The loss of affordable labour and readily available sources of labour may be the catalyst that forces the industry to achieve these [productivity] increases, in order to remain competitive in a global market post Brexit. Increased capital investment is a possibility. Although not a short-term

329 British Veterinary Association written evidence to House of Commons Environment, Food and Rural Affairs Committee inquiry into Brexit: Trade in Food, HC 348 (BTR 0027)
330 As above
331 See GOV.UK, Table 3: Jobs which have previously appeared on the UK Shortage Occupation List since 6 April 2011 and MAC, Skills Shortage Sensible: Full review of the recommended shortage occupation lists for the UK and Scotland, September 2011 (Section 5.3)
332 GOV.UK, Immigration Rule - Appendix K:Shortage Occupation List, updated 28 August 2018 [as viewed on 9 September 2018]
333 HL 9258 17 July 2018
334 As above
solution, due to the cost and time scales involved, it could be feasible in the medium to long term. 335

The AHDB has identified four main options for ensuring that the agricultural sector has the workforce it needs (or can manage with the workforce it has) post-Brexit:

- Schemes to maintain the current availability of migrant labour
- Increasing agricultural labour productivity
- Increasing automation
- Increasing incentives for the unemployed/economically inactive to work.

The Commons EFRA Committee’s report Feeding the Nation: Labour Constraints (April 2017) highlighted some of the work which the Government had identified as needing to be part of the long-term solution to the sector becoming less reliant on migrant labour and using more UK workers. This included:

- reforms to the benefit system
- greater automation
- increasing skills and qualifications in the sector
- increasing apprentices
- improving the perception and understanding of agricultural work.

The Committee noted that industry witnesses were unanimous that “no matter what policies the Government adopted, there would always be some need for temporary, migrant labour in the sector”. 336

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335 AHDB, The impact of Brexit on the UK agricultural workforce, 20 September 2016

336 House of Commons Environment, Food and Rural Affairs Committee, Feeding the Nation: Labour Constraints, April 2017, para 22
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