

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

Public Bill Committee

## AGRICULTURE BILL

*First Sitting*

*Tuesday 23 October 2018*

*(Morning)*

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### CONTENTS

Programme motion agreed to.  
Motion to sit in private agreed to.  
Written evidence (Reporting to the House) motion agreed to.  
Examination of witnesses.  
Adjourned till this day at Two o'clock.

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**not later than**

**Saturday 27 October 2018**

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**The Committee consisted of the following Members:**

*Chairs:* SIR ROGER GALE, † PHIL WILSON

† Antoniazzi, Tonia ( <i>Gower</i> ) (Lab)	† Harrison, Trudy ( <i>Copeland</i> ) (Con)
† Brock, Deidre ( <i>Edinburgh North and Leith</i> ) (SNP)	† Hoare, Simon ( <i>North Dorset</i> ) (Con)
† Chapman, Jenny ( <i>Darlington</i> ) (Lab)	† Huddleston, Nigel ( <i>Mid Worcestershire</i> ) (Con)
† Clark, Colin ( <i>Gordon</i> ) (Con)	† Lake, Ben ( <i>Ceredigion</i> ) (PC)
† Davies, Chris ( <i>Brecon and Radnorshire</i> ) (Con)	† McCarthy, Kerry ( <i>Bristol East</i> ) (Lab)
† Debbonaire, Thangam ( <i>Bristol West</i> ) (Lab)	† Martin, Sandy ( <i>Ipswich</i> ) (Lab)
† Drew, Dr David ( <i>Stroud</i> ) (Lab/Co-op)	† Stewart, Iain ( <i>Milton Keynes South</i> ) (Con)
† Dunne, Mr Philip ( <i>Ludlow</i> ) (Con)	† Tracey, Craig ( <i>North Warwickshire</i> ) (Con)
† Eustice, George ( <i>Minister for Agriculture, Fisheries and Food</i> )	† Whitfield, Martin ( <i>East Lothian</i> ) (Lab)
† Goodwill, Mr Robert ( <i>Scarborough and Whitby</i> ) (Con)	Kenneth Fox, Anwen Rees, <i>Committee Clerks</i>
	† <b>attended the Committee</b>

**Witnesses**

Martin Lines, Chair, Nature Friendly Farming Network and farmer

Patrick Begg, Outdoors and Natural Resources Director, National Trust

Thomas Lancaster, Principal Policy Officer, Agriculture, RSPB

Gilles Deprez, commercial farmer and Managing Director of Greenyard Flowers Ltd

ffinlo Costain, Director, Farmwel

David Bowles, Head of Public Affairs, RSPCA

Simon Doherty, President, British Veterinary Association

## Public Bill Committee

Tuesday 23 October 2018

(Morning)

[PHIL WILSON *in the Chair*]

### Agriculture Bill

9.25 am

**The Chair:** Before we begin, I have a few preliminary points to make. Please switch electronic devices to silent. Tea and coffee are not allowed during the sittings.

We will first consider the programme motion on the amendment paper. We will then consider a motion to enable the reporting of written evidence for publication and then a motion to allow us to deliberate in private about our questions before the oral evidence sessions. In view of the limited time available, I hope that we can take those matters without too much debate. I call the Minister to move the programme motion, which the programming sub-committee agreed yesterday.

**The Minister for Agriculture, Fisheries and Food (George Eustice):** I beg to move,

That—

1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 23 October) meet—

- (a) at 2.00 pm on Tuesday 23 October;
- (b) at 11.30 am and 2.00 pm on Thursday 25 October;
- (c) at 9.25 am and 2.00 pm on Tuesday 30 October;
- (d) at 11.30 am and 2.00 pm on Thursday 1 November;
- (e) at 9.25 am and 2.00 pm on Tuesday 13 November;
- (f) at 11.30 am and 2.00 pm on Thursday 15 November; and
- (g) at 9.25 am and 2.00 pm on Tuesday 20 November;

(2) the Committee shall hear oral evidence in accordance with the following Table:

TABLE

<i>Date</i>	<i>Time</i>	<i>Witness</i>
Tuesday 23 October	Until no later than 10.55 am	Nature Friendly Farming Network; National Trust; RSPB; Gilles Deprez
Tuesday 23 October	Until no later than 11.25 am	Farmwel; RSPCA; British Veterinary Association
Tuesday 23 October	Until no later than 2.30 pm	NFU; National Federation of Young Farmers' Clubs
Tuesday 23 October	Until no later than 3.00 pm	Country Land and Business Association; Tenant Farmers Association
Tuesday 23 October	Until no later than 3.30 pm	Food Standards Agency; Food and Drink Federation; Groceries Code Adjudicator

<i>Date</i>	<i>Time</i>	<i>Witness</i>
Tuesday 23 October	Until no later than 5.00 pm	National Farmers' Union Cymru; Farmers' Union of Wales
Thursday 25 October	Until no later than 12.15 pm	Traceability Design User Group; Environment Agency; Rural Payments Agency
Thursday 25 October	Until no later than 1.00 pm	British Growers Association; Soil Association
Thursday 25 October	Until no later than 2.45 pm	Professor Erik Millstone, Professor of Science Policy, University of Sussex; David Baldick, Senior Research Fellow, Institute of European Environmental Policy; Vicky Hird, Sustain; Professor Terry Marsden, Professor of Environmental Policy and Planning, University of Cardiff
Thursday 25 October	Until no later than 3.15 pm	Unite; The Landworkers' Alliance

(3) proceedings on consideration of the Bill in Committee shall be taken in the following order: Clauses 1 to 22; Schedule 1; Clause 23; Schedule 2; Clause 24 to 27; Schedule 3; Clause 28; Schedule 4; Clauses 29 to 31; Schedule 5; Clauses 32 to 36; new Clauses; new Schedules; and remaining proceedings on the Bill; and

(4) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Tuesday 20 November.

First, may I record our thanks to the Clerk who has attempted, at very short notice, to add some witnesses at the request of the Opposition? I should add that the National Federation of Young Farmers' Clubs, the Food and Drink Federation and the Groceries Code Adjudicator have said that they are unable to make it.

**Deidre Brock** (Edinburgh North and Leith) (SNP): I would like to make a point to the Minister about this. Regarding the witnesses, I was very disappointed to see that the National Farmers Union, Scotland had not been called in to give evidence. Given that the Bill is the subject of some dispute between the UK and Scottish Governments, it would have been appropriate at least to have Scottish Government officials down to explain some of the finer points of that.

**George Eustice:** The Scottish Government have not yet signalled that they wish to be part of the Bill. Indeed, our understanding is that they intend to pass their own Bill, which is why it was decided at the time that this Bill would not apply to Scotland. We now have a list of witnesses and a programme motion for the evidence sessions.

**Ben Lake** (Ceredigion) (PC): It would perhaps have been a good idea to have representatives from the devolved Administrations, given that the Bill will inevitably have an effect on each of the industries in turn.

**Mr Robert Goodwill** (Scarborough and Whitby) (Con): Does that mean, Chair, that when Scotland produces its Bill it will ask for evidence from English farming organisations? Is that the logic of what is proposed?

**Deidre Brock**: The point is that elements of the Bill affect devolved legislation and competencies, so it is appropriate that at least Scottish Government officials should be allowed to put those points across to us. As MPs, surely we want to get the full picture. The Bill is the subject of some dispute between the two Governments, so surely it is appropriate that we hear about that.

**George Eustice**: I do not really have anything further to add. The Bill is predominantly for English farmers and there is a schedule for Welsh farmers as well. There is a more limited schedule for Northern Irish farmers because the Northern Ireland Administration asked for a minimalist addition to enable them to continue to make payments.

As the Scottish Government have been clear that they do not intend, as things stand, to invite or ask us to add a schedule on their behalf, we have agreed the set of witnesses that we have. I have nothing further to add.

*Question put and agreed to.*

*Resolved,*

That at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.—(*George Eustice.*)

*Resolved,*

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—(*George Eustice.*)

**The Chair**: Copies of written evidence that the Committee receives will be made available in the Committee Room.

9.30 am

*The Committee deliberated in private.*

#### Examination of Witnesses

*Martin Lines, Patrick Begg, Thomas Lancaster and Gilles Deprez gave evidence.*

9.32 am

**The Chair**: I welcome witnesses to the first public sitting of the Bill. Before we start, do any Members want to make declarations of interest for the record?

**Mr Philip Dunne** (Ludlow) (Con): I draw the Committee's attention to my entry in the Register of Members' Financial Interests. In addition, I am a member and tenant of the National Trust and a member of the CLA, the National Farmers Union, the Countryside Alliance and the Woodland Trust, as well as of the Shropshire Wildlife Trust and the Small Woods Association. The Forestry Commission has a long-term tenancy of some woodland for which I have beneficial ownership.

**Mr Goodwill**: Similarly, I draw the Committee's attention to my entry in the Register of Members' Financial Interests, particularly my membership of the Country Land and Business Association and the National Farmers Union. I have a family farm in North Yorkshire of 250 acres, which we have farmed since 1850. We are currently engaged in a high-level environmental scheme on that farm.

**Colin Clark** (Gordon) (Con): Can I declare my interests? I am a farmer in receipt of the single farm payment. I am a member of NFU Scotland and an organic producer.

**The Chair**: I now ask the witnesses to state their names and the organisations they represent for the record.

**Gilles Deprez**: I am Gilles Deprez, the managing director of Greenyard Flowers. We are a farming operation in Cornwall specialising in the production of daffodils.

**Thomas Lancaster**: I am Tom Lancaster, principal policy officer at the RSPB. I lead a lot of our work on current and future agriculture policy.

**Patrick Begg**: I am Patrick Begg, outdoors and natural resources director at the National Trust.

**Martin Lines**: I am Martin Lines, UK chair of the Nature Friendly Farming Network and an arable farmer in Cambridgeshire.

**The Chair**: Before I call the first Member to ask a question, I remind all Members that questions should be limited to matters within the scope of the Bill and that we must stick to the timings in the programme motion that the Committee has agreed. We have until 10.55 am for this session.

**Q1 Dr David Drew** (Stroud) (Lab/Co-op): I welcome our guests. May I start with a general question—the most important one? What do you welcome in the Bill and in which areas do you think the Bill needs to be improved?

**The Chair**: I ask the witnesses to speak up, because the acoustics are not the best.

**Patrick Begg**: There is a lot to like in the Bill. There is a clear sense of purpose and a clear list of the kind of public goods that public money will pay for. There is plenty of intent and powers, but it is perhaps slightly light on duties—we might come back to that—such as the kind of things that we might want to see to nail some of the intent for the longer term. There is clear support for productivity during a transition, which farmers will need in spades as we make the adjustment to the new world of payment for public goods.

Generally, there is also a sense that we have a clear idea about what UK plc is contracting with our farming industry to provide for the long term, which is something that we have not had since about 1947 and the last Act. It feels like a positive step from my point of view.

**Thomas Lancaster**: I agree with a lot of that. We particularly welcome the intent to move towards a system of public money for public goods, for which we and others have been asking for a long time and which is integral in terms of meeting a lot of the challenges that we face—not just the environmental challenges, but the challenge of resilience in the face of environmental change, which will be essential for our long-term food security.

We also welcome a lot of the other clauses in the Bill, particularly around the powers to improve transparency in the supply chain. Better regulation of the supply chain and more transparency are essential to enable farmers to get a better return for the food that they produce. That is as important to this reform as the public money for the things that the market does not produce.

Similarly, we welcome the clear time-limited and defined transition. Again, that is really important in sending a signal to farmers about the change coming down the track so they have time to adapt to that. We would not want to see any extension to that transition because that would create further confusion as to what the future will hold.

**Martin Lines:** The overall direction of the Bill is very positive—public money for public goods is a great approach. Environmental goals and food production are not mutually exclusive but go hand in hand, and making farmers connect with the landscape and their food production joins the two together. We need a strong and transparent marketplace to reward us for the goods that we can produce, and we want strong direction from the Government and society about how they want to support farming and the landscape they want to deliver.

We have concerns about the details of the aspirations and how they will be delivered, and how we can ensure that farmers are rewarded for the environmental benefits and the practices that many have already been doing on their land and in their landscape. It is about setting the direction, with public support, of how that goes forward.

It is also about delivering basic environmental standards, and not just for those who want to receive what will possibly become the environmental land management schemes. How do we keep all farmland in good heart? That will deliver food security for the nation in the long term, so it is about having all our assets—our landscape—in good heart. Having higher environmental levels will give us food security for generations to come.

**Gilles Deprez:** I am not as knowledgeable as the other people here, but it is interesting to look at the focus on soil in the Bill. I am passionate about that, and it is crucial for us as farmers. I would not call myself a daffodil farmer; I would call myself an energy farmer who tries to capture as much energy from around us as possible and store it in the soil. The soil is a type of battery for us, so I very much encourage and like the focus on soil in the Bill.

What is also important for us—I am talking from my own experience as a farmer, which is limited compared with a lot of people—is that farming is a competitive industry. It is important to highlight that we are in a highly competitive industry. We are competing with a lot of people—not only in Britain, but in the rest of the world. There are very thin margins, and it is very important that we look at that.

One of the other things that I also saw in the Bill is innovation, which is maybe not highlighted enough. Innovation is crucial for the future: without it, we cannot go further. I have always been told at home that the knowledge that we have today is a culmination of experience from the past, but we need to look at what we will have tomorrow. We need to work on innovation in all different areas: in understanding the biology and

chemistry of the soil—I am not an organic farmer, but chemistry is very important—and in automation, mechanisation and other things. IT is also crucial for farmers. Innovation is very important.

We also need to ask how the Bill will work. It is very difficult for me to understand the Bill—it is the first time that I have done this—and the detail of it is not clear. I assume that that is normal for a Bill. In the Netherlands, we have certain systems where Government, research institutions and the industry are working together to find creative solutions, which is very interesting. If you look at the system where a small farmer or small holding company needs to make money to survive at the end of the day, it is very difficult to apply for certain schemes or to access all those things.

I think a way of working together with research centres, universities, Government and industry is quite interesting for the farmer. There are a lot of promising things about what the future could bring for trying to protect and regenerate our soils and building our natural capital. Without our soils, farming cannot flourish.

**Q2 Dr Drew:** I have one further question that follows up on that. Is it clear how the idea of public moneys for public goods is going to work in practice?

**Thomas Lancaster:** The Bill does not necessarily set out clearly how it works in practice as a framework Bill. We would like to see, for example, a clause that sets out much more clearly how public money will be provided for public goods in the long term. We think that the Bill needs to provide much more certainty about the funding cycle, how the quantum is arrived at, and how the funding is allocated between the four countries of the UK—that is a key area where we will look to improve the Bill.

In terms of how a public goods scheme could operate, we have in the UK 30 years' experience with agri-environment schemes. The first schemes were developed in Norfolk and then rolled out throughout Europe through the common agricultural policy. We are world leaders at developing agri-environment schemes, which are the blueprint for the public goods scheme that the Bill proposes. There is a huge amount of debate to be had over the next two or three years about how best to design the scheme in a way that works for farmers, the environment and the taxpayer.

**Martin Lines:** We understand it to be a framework Bill: much of the detail about how it will be delivered to farmers will come later. We in ELS and HLS know that we can deliver great stewardship. Some of the reward for that is not great. There are a whole load of assets on our landscape that many farmers can actually get better rewarded for—it is not just about how we manage the food production side, but how we manage our landscapes. Some farmers can get rewarded more for the landscape side and then get the food production from that, because they have limited capacity within that landscape to get financial rewards. It is about having a joined-up approach.

**Patrick Begg:** Tom makes a good point about the mechanisms that need to underpin this, which are around multi-annual payments. It is about being able to see something that goes beyond the political cycle. That is one thing that the common agricultural policy has actually delivered—some certainty and confidence in the farming industry in what they need to invest in. That is one of the things that we really need.

If we think about duties rather than powers, duties to create those multi-annual systems seem to me critical. There is also another obvious question, because a lot of this does come back to money, in terms of the quantum. We have done research that has demonstrated that just to deliver the kind of public goods that we have listed here would take at least £3 billion a year across the UK, and that was just updating what the Land Use Policy Group did about 10 years ago. There is a strong evidence base for the quantum, so it would be very useful if the Bill gave a duty to produce an independently assessed sense of resources needed, and if those were linked into multi-annual contracts.

There is also something about targets. It is a truism across loads of corporates, and non-governmental organisations—anyone—that you manage what you measure. If we can see some way in which these can be quantified, and some really stretching targets that could tie resources to those, that would be incredibly helpful. That sends a very strong signal to farmers about the confidence that Governments have in the things that we are asking them to do. It is all about setting that sense of confidence and clarity about purpose.

**Gilles Deprez:** For me, the Bill and the law are not very clear, so my honest answer to your question is probably, no, I don't know how it will work. I also do not have enough experience of the previous way of working with the common agricultural policy. What I do see from my limited experience is that we have different types of environment in the UK. For example, in west Cornwall, where I am, my average field site is about four acres. If I need to put, for example, buffer strips in my field around my hedges, I will not have any productive land left.

You cannot compare, for example, Cornwall with Lincolnshire or Scotland. It is very difficult to understand how it will work in practice. You are asking a lot more from a system than what it is used to in a certain way, to become more targeted and specific, so I think it will be a very big challenge to see how it will work in practice. That is my honest opinion.

**Q3 George Eustice:** The premise behind the Bill is that the long-term end stage should be that we move away from a system of arbitrary area-based subsidy payments to something where we first correct the causes of low profitability in farming, through things such as improvement in the way in which the supply chain operates, grants to invest in new technology, research and development, supporting structural change where necessary, but also properly rewarding farmers for the work they do for the environment. That is not necessarily on an income-forgone principle but on something that is genuinely rewarding that does not begrudge them making a margin in the way that the current pillar two schemes do.

I would like to know your views on whether you believe that is deliverable, if we rewarded the environmental outcomes properly to ensure that we had a viable model. What would that look like? What is your view on natural capital principles, in terms of pricing those options? Are there other things that you would like to do? Or do you believe that income forgone should be the basis on which we operate payments in future?

**Martin Lines:** It is a positive move forward. We know most farms have been doing some kind of stewardship and have had frustrations with the system, and that puts

a lot of people off. What we have got to think about with this scheme is can we deliver it in nine or 10 years' time, when it is fully rolled out, and add the focus of what we want in 10 years' time, and how we have got time to adjust to it.

Payments at the moment are attached to land. As someone who rents land, I give payments straight to my landlord; it is included on top of my rent, so it stresses my business. I often pay it out 12 months before I receive it from Government, so giving it to the farmer for the work he does, such as my stewardship work, rewards the farmer for his best practice, and keeps it within the farming industry, which can then use it in local communities, with contractors and various other parts. It cycles it round the local community in a better way.

**Patrick Begg:** I am definitely a fan of moving it towards a more outcomes-based system. In fact, we have been working for a couple of years with a group of our farm tenants in Wharfedale in Yorkshire to understand exactly how we might establish an outcomes-type measure. It comes with a bit more risk, because some things are lag rather than lead, so it takes a while to mature your outcomes. We have to relax into that and understand that if people are doing the right thing, good things will flow at the end of it. That requires us to have a really good system of land management planning locally, but the critical thing we learned from our outcomes project in Wharfedale was about the quality of conversations and the sense of shared endeavour. If you set a destination, allow a farmer really to have agency over the route for getting there, and give them flexibility to do things differently, try things, and work with the skills and rhythms of their farming business, you get a much better sense of engagement.

It takes time and requires individuals who have trusted adviser status. For example, if ecologists talk to farmers, they learn about each other's world and then they come up with a good answer, which makes a massive difference. That relationship has a huge gearing effect on the quality of the stuff you get at the end of it.

There are technical, mechanistic things that we have learned about what kind of measures work for pollinators, soil, etc. It is now perfectly possible to measure them and account for them. The trick, without this becoming massively bureaucratic, is for the people managing the land to have a sense of delegated agency. We use the farm tenants as our eyes, ears and monitors, and get them to report back. It really turns them on. We have had enthusiasm and a sense of joy creating the kind of things that we as a conservation organisation were looking for. It really worked within the framework of their developing businesses with extensive livestock in some quite sensitive upland areas. I am a great fan. I think it is perfectly possible, and we have got lots of evidence about how it can be done.

**Thomas Lancaster:** On the point about income forgone and payments, we regard income forgone and costs as a good starting point, but it is flawed in that it does not adequately incentivise the most profitable businesses, and it does not adequately reward the least profitable businesses, particularly in terms of farmers farming in places such as the uplands, which are inherently economically marginal. We encourage DEFRA to start there, then look at where we need to go in terms of building in that reward—that adequate incentive or fair return, which is how some officials talk about it.

On Wharfedale, the uplands and the public goods that those non-economic farming systems can provide, rather than just look at the cost of an individual intervention, such as managing a hay meadow or some other species-rich grassland, do you look at the whole farm system as a cost? Rationally speaking, it is a loss-making business, and it would not necessarily be rational to run it without some form of public support. If we want to keep that sort of marginal farming going to secure outcomes for curlew, black grouse and other species that depend on it, we will need to look beyond income forgone, in terms of building an adequate and fair return for those environmental outcomes.

Like Patrick, we are big supporters of results-based and outcomes-based payment schemes where they can be shown to work and be proportionate. We think there is scope for continuing action-based payment schemes, where you pay based on the action. Similarly, we are big supporters of natural capital, particularly in assessing the benefits that a future policy based on public goods can provide. We know from previous economic studies—one looked at sites of special scientific interest—that for every pound spend on investing in SSSIs, you get £8.56 back. There is huge benefit to investing in the natural environment not just for society but for farmers, in the benefits you can get from pollinators, crop pest predators, arable systems and more resilient grassland management in lowland and wet grasslands. The places that were managed more extensively in Somerset after the floods recovered much more quickly than other more intensive systems. We are really evangelical about the benefits of a public goods approach, not just for society but for farmers, and a payment system that builds in a fair return will be a key part of that.

**Gilles Deprez:** The practicality will not be easy. It will be a long journey. It will depend on the people; every farmer, or land manager, has a different mentality on implementing it. To give an example of one of the things that we are trying to work on as an operation, because we are also a tenant, we are fortunate to have the Tregothnan estate, where we are working, as one of our landlords. One of the questions was, do you think that you should value natural capital? We are working on that. We are working on a tenant agreement, which is in place at the moment, where natural capital has a financial value.

It is a bit difficult to define it, because what is natural capital? You need to take a very holistic approach. At the same time, it needs to be very simple. We brought it back to soil, because it all starts with soil. We tried to value the difference between good and bad soil. We are still working on the exact parameters of what it means, but the moment that something has a financial value, people respect it. That was the idea that we had. We are still in a very early stage, but it is quite promising to see what is possible.

If something has a financial value you can create an asset with it. At the same time, you can create a liability for whoever is doing it. The whole principle is that the landowner has the asset of the land, but everything that we are trying to do in terms of increasing the natural capital on that farm is our property, because I, as the farmer, did it—I tried to increase it, or decreased it. It is a very difficult concept because of the competitiveness of farming. We need to ensure that that model is not breaking farmers, because farming is very competitive.

You have to find a fine balance. With the Tregothnan estate, we tried to develop it further, but in a very down-to-earth way, so that we are not breaking the idea or the system. It is probably too early to implement it today, but there is potential.

It will require a lot of effort, and many farmers will need to be part of that transition. It is not something that you do overnight. If you take on a farm that is depleted, or where the soil has gone, it takes years, and a massive amount of capital, to rebuild it. That is very hard in a very competitive environment where you need have a good crop again next year, and a margin to reinvest in your farming operation. It needs to be built over a longer period, and you need to have that long-term strategy as a farmer to do that, which is not always easy—far from it.

**Q4 George Eustice:** My second question is linked to that. It is about tenant farmers, and their ability to access the scheme. Obviously this is an agriculture Bill. Although the first clause is predominantly about payment for public goods in the environmental sense, the objective behind the Bill is to encourage more sustainable farming. We want to ensure that tenant farmers who may have shorter tenancies are able to access that.

I wondered what your thoughts were about the design of that. Mr Begg, obviously at the National Trust you are a big landlord. I know, Mr Lines, that you run schemes now on tenanted land. Mr Deprez, you are a very large agri business that rents lots of land. I wondered whether you had thoughts on how the schemes should be constructed to ensure that tenant farmers can access them.

**Martin Lines:** They have to be done in a way that works with the landlord. The landlord's best asset is his soil and his fields. I entered into countryside stewardship, with my landlord's permission, and explained to them the best ways of using the landscape. There are bits of the land that are unproductive in certain fields—awkward corners where machines do not fit. How can we get the best resource out of the land, by putting it into trust stewardship and using the landscape and those farmed fields in the best way possible? It is about working with landlords and tenants and having that vision forward, rather than having landlords just renting the land for the highest price. They have got to understand that it has got to come back to soil.

How to be rewarded has to come down to soil, so that when you are finished being a tenant you pass on your asset in better health. It is the same as a farm owner: when I hand it over to my children, if they want it, I want to hand it over in a better state than when we got it. Unfortunately, I have inherited it in a poor state, because past policy has encouraged environmental issues: hedges and things have been taken out and our soil has not been great because it has been overworked. Once you start realising what is happening, it is about having a strong, true asset that we can keep as a society for future generations.

**Patrick Begg:** I would make a couple of observations. First, it has always been the case with the National Trust—and we would support this more generally—that at least 10 years for a tenancy agreement is the right place to start, and possibly longer if we can do that. In fact, once you are in, it is like a good marriage; why would you break that up? These relationships need to endure. Our best relationships are the longest-term ones, for sure.

I am not sure that the Bill is the place where we can deliver a lot of that stuff. Clarity of purpose, and knowing what payments are available, is really vital. That would align closely with what we would wish to have from our agreements. We are very keen that our tenant farmers enter into agri-environment schemes, as now, and we would be very keen for them to enter into future ones. Certainly, for business viability and a thriving long-term tenancy relationship, that opportunity for tenants to get into the scheme is vital, so that is where we should be training our sights.

As to mechanisms in the Bill, I am not sure that there are any that could necessarily be put in. I suppose we are things that might come out of the mechanics, around the design of things such as environmental land management schemes. We have whole-farm plans and produce documents—particularly when we let a farm, for example—about where exactly we think the outcomes might sit. Then we have a really good discussion with prospective or new tenants about exactly how they can deliver that. We are also very flexible about working with them and their business, to help them to be profitable within it. Tom has made the point a number of times that profitable farm businesses are critical for being able to deliver great environmental outcomes as well.

**Gilles Deprez:** I definitely agree with that last point. Where is the balance? That will depend from area to area and farmer to farmer; but having the right balance is very important in the short term, because at the end of the day we need to go through the seasons and be profitable. For example, what we have seen over the last year was incredibly tough for a lot of farmers, ourselves included.

You are confronted with weather events that are unreal. That is something very strange; I am a big believer that farmers are already paying the bill today of climate change. If we have a very bad season, a farmer needs to pay for that. Farmers already have a lot of pressure on them and climate change is part of that. Having a balance is very important, but difficult to define. We need to make sure that farmers are profitable in the short term but also work on the long-term goals. That balance is not always easy to find. I see it myself as a farmer. Sometimes I think, “I wish I could have done it like that,” but you know it is impossible. Step by step, you are building and trying to do things a little bit better than you did them yesterday.

**The Chair:** I have a long list of Members who want to ask questions. Could I ask that both questions and replies are pithy, so we can get as many people in as possible?

**Q5 Kerry McCarthy (Bristol East) (Lab):** I have a couple of questions. They are a little complicated but I will try and make them brief. It is difficult to get your head round the economics of it when we do not know how each public good will be rewarded. I know some people have expressed concern that some farmers might cherry-pick one or two of the public goods and do that around the margins of their land, but compensate for the loss of direct payment by becoming more intense and more industrialised—a bit like what happened in New Zealand, where they did not have the compensatory public goods regime. What are your thoughts on that? How would the economics of that work out for farmers and will most of them be persuaded to go down the public goods route and do more on that front?

**Martin Lines:** There are a number of farms with productive land, especially with the silts in the fens. They may concentrate and be more productive in the middle and just have the stewardship round the outside, but that is fine. There are other areas where it is more about the whole of the landscape. If each farmer has to do an ELM scheme to receive some money, it is about a whole-farm approach—all your soils and all your assets—not just the non-productive and productive bits.

**Kerry McCarthy:** At the moment, it is individual public goods. There is nothing that deals with whole farm systems, such as organic, pasture-led livestock. Do you think that should be in the Bill?

**Martin Lines:** It should be a whole-farm approach and a whole-farm plan and it should connect soils, environment, health and everything else with where we get food production. It is not joined up. We have stewardship and production. They have been two separate payments—two separate deals. We need that linked back together and we need to say that from a good environment and from good soils, we will have food security for the lifetimes of generations to come.

**Patrick Begg:** On that point from Martin about integration, you are right. Dovetailing production and environment is what we are all after; it is at the heart of this. It is encouraging to see the mechanisms for this emerging around land management plans, as the underpinning for delivering finance through the environmental land management scheme. Integrating it feels like the right way to go, as long as the land management plan is not just about the public goods but also about the productivity. They need to sit within that one mechanism in order for them to gear properly against each other. On whether it will be more intensive in the middle of some farms or fields, it might be but that is okay.

This brings to mind my recent visit to the Raveningham estate in Suffolk, which is doing some extraordinarily good stuff delivering the public goods in this Bill brilliantly, with huge dripping hedgerows weeping into the fields, and right in the middle, 12 tonnes a hectare of high quality wheat being produced. They have reconfigured the whole farm to make the movement of machinery more sensible, so that fuel costs are massively down. In that way, they reduce input costs in order to be able to do that kind of farming.

**Kerry McCarthy:** What was the name of the farm?

**Patrick Begg:** The Raveningham estate, which is the Bacon family. There is a fantastic estate manager there called Jake Fiennes, who has been doing this for 15 years and has produced amazing results. If you want to see an example of what productive farming plus public goods looks like in the lowlands, that is a great example.

**Thomas Lancaster:** That example points to the idea that you can improve your profitability in some respects by going down the direction of travel the Bill has set out: by removing or reducing spray and drill overlaps, by taking out awkward and unprofitable corners, and receiving public payments on those areas for delivering public goods by creating habitats such as wildflower margins. In turn, the evidence increasingly tells us that they can improve yield and further improve profitability by creating habitats for pollinators and crop pest predators.

A study in 2015 by Pywell et al from the Natural Environment Research Council's Centre for Ecology and Hydrology highlighted that even when you took 8% of land out of production in an arable system, there was no net loss of yield for cereals such as barley and wheat because you had a lot of crop pest predators in the system, and there was a 25% increase in yield for field beans—a flowering crop—because of the sheer abundance of pollinators.

**Martin Lines:** We have done the same. We have seen the benefit. We took 12% out of production into environmental measures and squared fields off where the pollinating margins are to see a 20% yield increase. There is a system there but we have not been able to use it. It can be done.

**Thomas Lancaster:** Even in the uplands, we have been doing some work recently to look at the economics of those systems, and similar work has been done by others. What that is increasingly showing us is that in an inherently uneconomic farming system, where you are losing money per head of livestock, often what you would do through a stewardship scheme is to reduce the number of livestock. You would not remove them—it is still noticeably and obviously a farm—but if you reduce the number of livestock, and maybe look at adding value and supplying into local markets and short supply chains, the profitability of that underlying agricultural operation can be transformed.

What we are increasingly seeing from the top of the hill right down to the bottom of the valley is that it is not either/or. The economics of a farm operation can be massively improved by engaging in and going down the route of focusing on public goods, as well as on good quality food production.

**Gilles Deprez:** It is not that farmers are cherry-picking just to take the best advantage out of it. In certain areas, it is just not possible. To use the example again of Cornwall, field margins do not make sense for our operation if we are talking about fields of one acre or less. We have a lot of hedges, so we already have a very strong natural environment. Sometimes it does not make sense for a certain environment or a certain type of business to do certain things. That is why you get cherry-picking in certain areas, I assume.

What is important is that productivity needs to go up. We need to be more productive. We need to do a lot more with a lot less, but we need innovation for that. For me as a farmer, that is very important. I might be a little scared about it as well. If there is no innovation and we are not going forward and there is no balance in the short and long term, you will lose out on a lot of things. Innovation should be central in everything we are doing to increase yields. Building fertility and soil fertility will help with certain things. Innovation is very important.

**Q6 Kerry McCarthy:** My second question is whether the Bill is strong enough or gives enough clarity on the regulatory baseline. Public goods should be rewarding going above and beyond what is legally required, but we will lose the cross-compliance element of CAP. How do we ensure that farmers are rewarded for doing the extra things and also enforce the people required to do the standard things, such as ensuring the water supply is not being polluted or whatever? This is your baby, Mr Lancaster, isn't it?

**Thomas Lancaster:** For us, that is absolutely essential. At the moment, the Bill is a bit silent on that. We are told by civil servants that that is because there is this ongoing review by Dame Glenys Stacey looking at the future of farm regulation and inspections and that they will look to another Bill in the future to provide the powers necessary to secure that regulatory floor or foundation. We will be looking for assurances from Ministers and the Government about that regulatory baseline, because without that foundation, you do not have anything to build from in terms of your public goods policy.

For the progressive farmers, such as Martin and Gilles, who want to go out and restore natural capital and provide those public goods for society, it is absolutely critical that they are not then undercut by those looking effectively to go for maximum profit, regardless of the societal and environmental cost. We think that there is a really important case to be made for the importance of fair, proportionate, but effective regulation. That is not just about having the right rules in place, but having skilled and knowledgeable staff who then go out and enforce those regulations.

There is a lot of talk about advice-led regulation. That is about not just going out with a stick and applying penalties straight away, but going out and advising farmers and working with them to help them be more compliant in future. We would support that, but that needs investment from Government in the necessary resources. A recent report from World Wide Fund for Nature highlighted the fact that the Environment Agency only has enough capacity to inspect 0.5% of farms in any given year. It has about 40 inspectors who go out and look at how farms are performing on water quality and soils, and that is not enough to secure that regulatory foundation. It is also not enough to ensure a fair and proportionate inspection process for farmers, because those inspectors only ever have enough time to apply a penalty and go, rather than work with the farmer to help them comply with regulation in future.

**Gilles Deprez:** Knowledge is also very important. My crop is completely different from his crop, so the way we work with land, or the way we prepare our land, is completely different. For example, with my daffodils, the bulb is underneath the ground. I need to make sure that I do proper land preparation, which means soil disturbance. In a certain way, that is not ideal, but it would be a lot worse if I did not do it. Why? Because then I leave your daffodils in, and the moment I harvest the bulbs, I take all the soil out and all the stones away. The preparation for how I do certain things is completely different from what someone else is doing.

Crop rotation is crucial, but every crop has different demands, so knowledge, innovation and looking at new ideas are crucial. There is not one solution. We need to have an holistic view and look at all the different parameters to make sure that it can work, because a potato farmer has completely different demands from those of a daffodil farmer, a vegetable farmer, or a wheat farmer. They use completely different practical elements. The ideas and the principles are probably the same—working with the soil and trying to minimise the damage—but again, that balance of short-term and long-term profitability is important. If we focus too

much on the long term in a certain way—and I know it sounds ridiculous—we might become bankrupt tomorrow, and then there is nothing.

**Martin Lines:** On environmental standard supervision, I cannot see that enforcement. There are base standards already out there, but how are they going to be enforced, and in which Bill? We want some clarity now, not an environment Bill coming later, so we as farmers have a clear understanding of where it lies. We want to keep the land in good heart. Previous Bills have been about keeping our natural assets in good heart for future generations. Where is that?

This goes back to short-term planning. There are a number of farms with short-term tenancies and short-term views: taking as much out of the land as possible today, with consequences for future generations. We need that bigger, long-term planning and a long-term view. It comes back to the landscape plan again: understanding what we have, with local variations of management systems for different parts of the country and the different crops we grow. As our consumers change their buying habits and as the climate changes, we may need to adapt our farming systems to produce different products. We need a land management plan that we can adjust to fit that change of cropping.

**Patrick Begg:** One thing to add, which we should not forget, is the stimulus that good regulation—and I mean good regulation—means for private sector investment and innovation. There are plenty of examples where regulation provokes quite a lot of clever thinking about what could be done. Someone said to me the other day, “Remember when the car industry was faced with having to put catalytic converters into everything?” There was a huge outcry: “We cannot possibly do that. It is going to put thousands on the cost of cars.” Within five or 10 years, it cost about £20 to put a catalytic converter into a car, and there was an industry around it, so jobs and growth came on the back of it.

There is a comparator with what can be done in agriculture. I see firms such as Nestlé investing premiums in their dairy farmers in Cumbria to meet regulatory baselines around water. There are already upstream supply chain businesses that recognise long-term resilience, but need that nudge of the regulatory baseline for that investment to be freed up. It is good for the farmer, good for the people using the drinking water downstream, and certainly good for Nestlé.

**The Chair:** Before I bring in Simon Hoare, we have eight Members who still want to ask questions, so again, can we keep the questions short? I also respectfully ask the witnesses to keep their replies short and concise. That would be great.

**Q7 Simon Hoare (North Dorset) (Con):** What is the principal purpose of agriculture?

**Patrick Begg:** It is to grow food long term and look after the natural assets that it stewards.

**Q8 Simon Hoare:** Principal purpose.

**Patrick Begg:** I do not think they are divisible. You cannot have long-term food production without a healthy, thriving well-stewarded natural environment. The IPCC report from last week is a wake-up call about the kind of challenges that we have around man-management

resilience. Certainly people in Martin’s network and many other farmers I meet absolutely recognise that it is a long-term game, and for a long-term game you need long-term assets in good health.

**Martin Lines:** Food is important for all of us. We eat it every day and we farmers produce it. It is one of our key assets. The issue is how we produce it for the long term. If we talk only about more short-term production, that will not give us long-term food security. Also, we are wasting up to 40% already. Do we need to produce more or should we educate people to use more of what they produce? We need a change of system and a change in society to recognise the food that we produce and how to consume it well.

**Thomas Lancaster:** The principal purpose of agriculture is to produce food in a way that does not undermine the capacity of future generations to produce food, but I would differentiate between the principal purpose of agriculture and the principal purpose of agriculture policy, particularly payments. From our perspective, clause 1 is really important in terms of securing the things that the market does not provide, such as environmental land management, better water quality, and carbon storage and sequestration: the sort of natural capital that food production in future will depend on. The clauses around data collection, producer organisations, regulations and the relationship between farmers and the first purchaser of agricultural products are all absolutely integral to the success of the Bill in enabling farmers to get a better return from the market. To me, that has been lost in some of the debates about there not being enough agriculture in the Bill, because that is a reading just of the first two or three clauses, which are about public money. Agriculture policy is about a lot more than public money. We need to have a much broader debate about what the purpose and structure of future policy is.

**Gilles Deprez:** I am not a food producer.

**Simon Hoare:** No—daffodil bulbs are poisonous if you eat them.

**Gilles Deprez:** I have never tried to eat them.

**Simon Hoare:** Don’t!

**Gilles Deprez:** With horticulture, I need to make money. I need to run a profitable organisation. Without being profitable, I cannot survive. I agree with the long-term views, building fertility and working in harmony with nature. I have never met a farmer who said, “Gilles, today I will spray and kill all the birds on my farm.” We do not need those farmers. I have never met that farmer. Farmers are custodians of the land and are working to the best of their ability to try to do that, but at the end of the day we need to make sure that we are profitable.

With flower production, perhaps I am not impacting on someone’s physical health, but I influence their mental health. Our ambition is to make sure that people live healthier lives and enjoy access every day. We need accessibility. It is a bit of a paradox sometimes because accessibility means in a certain way affordability, but within our slow margins, if I had to show my balance sheet or my profit and loss to a technical or IT Company, they would laugh at us. They would say, “Why are you working seven days, 24-hours a day, for that small margin?”

**Q9 Deidre Brock:** I do not know whether you have had the chance to read the report on the Bill by the House of Lords Delegated Powers and Regulatory Reform Committee, but it is pretty scathing. It describes it as a skeleton Bill and refers extensively to its lack of detail. It states:

“The central purpose of the Agriculture Bill is to provide a framework that confers on Ministers extensive powers...with correspondingly few duties...exercisable indefinitely and without sunset clauses. They include unlimited monetary penalties...the ability to create criminal offences punishable by up to two years’ imprisonment”.

What areas of your organisation are you most concerned about, in view of the extensive powers that Ministers will have under the Bill and the lack of detail that the report criticises so heavily?

**Thomas Lancaster:** I am not sure that I have any particular concerns about our organisation as such, but we do have concerns about the lack of duties in the Bill. We think that that is a big gap.

**Q10 Deidre Brock:** Can you give us some examples?

**Thomas Lancaster:** Yes. We want to see a duty in the Bill to have an environmental land management scheme in England. At the moment, it provides the powers for that, but there is no certainty about whether Ministers will choose to use them. That is one of the few backward steps from the common agricultural policy, which through its rural development programmes requires member states to have an agri-environment scheme. Because of that requirement, there are four agri-environment schemes across the UK.

A second duty that we have called for is an annual assessment of the funding required, particularly to meet the purposes in clause 1. A third is for current and future Ministers to use the powers in the Bill to improve transparency in the supply chain and strengthen the position of the farmer in it.

**Patrick Begg:** I back up what Tom says. I am not sure that our organisation is worried about the powers, but we will certainly be asking for duties to fill the gaps, such as a duty to create multi-annual payment settlements. That is not exceptional; the Environment Agency do it for flooding. It is a question of creating confidence and certainty within the farming industry that it will stick and that people can invest with confidence. We would also wish for a duty to get an independent assessment of the quantum of money required to deliver the aspirations set out in clause 1.

**Martin Lines:** There are lots of powers in the Bill, but the concerns for farmers in the network are about who can use them and how, and what triggers them. Some of those powers should be duties. It is about the long-term view of how we need to manage and be managed as farmers.

**Gilles Deprez:** My two main concerns are about points that I have highlighted. The first—I am not sure whether it is right or wrong—is about being competitive, not only with UK farmers but worldwide, because we are a very fragmented market.

My second concern is that innovation is not really highlighted in the Bill. In chemistry, for example, there is a kind of mutual recognition: if one country recognises something as an innovation, it goes through the system

a lot more quickly. I do not see that in the Bill. We must not block innovation; it needs to be key in business, in order to look at the future and be competitive.

**Q11 Colin Clark:** ADAS produced a report in 2016 that stated that a

“‘Public Money for Public Goods’ approach...would be a radical change and one that would certainly need to be tested for efficacy before adoption.”

Do you agree that the seven-year transition will be adequate for testing? We have heard from Mr Lines that people already have good practices. Is seven years enough time to activate a policy, considering how long it takes to grow hedges, trees and cover? Or will we have to come up with policies like those that you are already using, Mr Lines, on your farm? Patrick Begg, you mentioned the public good.

**Patrick Begg:** Yes. Seven years is actually a little bit longer than we have called for, but I can see why that was done; the last thing we need is a cliff edge. If you think about it, it is in fact 10 years from now—a seven-year transition is effectively 10 years from today, give or take a month or two. If you consider change programmes—this might be one—generally speaking, you need to get going with stuff, and the sense of urgency is a good stimulus for things to happen well. I think the balance of seven years is probably about right in the end.

DEFRA has a programme of tests and trials work that starts next year. That will start to land on the ground, and we will be able to test mechanisms. On seeing outcomes, we have plenty of evidence of the things that work; I do not think we necessarily need to test the outcomes. We know how to deliver the things that have been set out in the Bill; the issue is just the mechanisms by which the farmer is adequately supported to make the change and to deliver those in an effective way.

**Q12 Colin Clark:** This is a question for Mr Lines. I am a practising farmer myself. There have been EU environmental policies that have not worked: the three-crop rule ended up being quite damaging, and even set-aside created an enormous weed bank. Are you satisfied that we will avoid those mistakes?

**Martin Lines:** I am only satisfied if we are going to engage as farmers and have input into how this will be managed. We want practical farmers engaging in what will be the land management plan, and in what we can achieve. Through stewardship in the last 20 years, we know what can be done, what cannot and what does not work in different areas. The network has a whole number of farmers—me included—who want to get out of the current system as quickly as possible and move on to the new system, because it just does not work for my farming business. It is over-bureaucratic. It measured down to 10 cm around the edges of my fields. Let us have a holistic, balanced approach to how we produce stuff; let us have the environmental measures around the outsides or in different parts of the field that fit my farming system, and let us be flexible on how I want to deliver that farming system—and let us, hopefully, be rewarded well for that by the marketplace for the food I produce, and by the public payments for the other areas. Ten years is plenty long enough for me to get on with that.

**Thomas Lancaster:** I would agree that the timeframe in the Bill is enough from our perspective. It is welcome that that timeframe is in the Bill. Once it is set, we just need to stick to it, because if we do not, we will get this sort of Brexit drift—there is so much other stuff going on that the temptation will be to kick the can down the road, which will not serve anyone's interests.

We would like to see a bit more policy richness and detail around the transition, not just on the time and the piloting of land management schemes and how the public good element is going to be provided, but also on how we can transition to a sector that is more market-facing, more profitable and more resilient to market fluctuations. Importantly for us, there are sectors where there is no real culture of thinking about profitability first. The evidence pack that came with "Health and Harmony" showed that there were whole sectors where business planning was down at 17% or 18%. We think there is a role for the Government and for the sort of active state that the Prime Minister has talked about, in terms of investing in business and skills advice, knowledge exchange, research and development and those sorts of areas through the transition, to enable farmers to get to the point where they get a market return for the food they produce, and also a return from public payments for the non-marketable services and goods that they provide.

**Colin Clark:** Thank you.

**Q13 Jenny Chapman (Darlington) (Lab):** For better or worse, you have operated within a framework guided by the European Union for as long as probably all of you have been in the business. You have talked about mutual recognition and standards. Do you think the Bill could be doing more about not just undercutting within the UK, which you have talked about, and within different nations of the UK, should they choose to take different paths on some issues, but also about undercutting from overseas imports in the future? How significant a risk do you see that as being, and do you think this Bill is doing anything that could help relieve that anxiety?

**Patrick Begg:** I would say it is a very significant risk. You would find cross-sectoral agreement that more needs to be done—probably in the Trade Bill—around ensuring that imports do not undercut the environmental standards we already have and are talking about cementing for the future. Without that, it is a huge risk.

**Martin Lines:** Trade deals are going to be massive. We do not just want to have high standards here and export our environmental footprint; we want to be leading here, exporting those high standards, and buying produce from abroad that matches those high standards. There is a lot of concern around that.

**Thomas Lancaster:** I would agree, certainly on international trade, standards and imports. As Patrick says, we are speaking with one voice with the National Farmers' Union and the Country Land and Business Association and other farming and food organisations on that point. In terms of UK co-operation, agriculture is a devolved policy, and it is right that individual devolved Administrations should have the flexibility to develop policies that are right for their country. We would like co-operation on issues such as how those policies are designed and how we can prevent market distortion. From our perspective, environmental challenges are transboundary—there are shared catchments that

span borders within the UK—so how will we secure environmental outcomes across boundaries through future agriculture policy? That is a huge unanswered question.

**Martin Lines:** I would like to see the Government leading the way in procurement of their own food. Governments throughout the UK buy huge amounts of food. Where are you setting the higher standards in trying to procure that food locally and sustainably, and leading the way? That sets the direction for the rest of the public to follow.

**Q14 Mr Goodwill:** Talking of public goods, we have been talking almost exclusively so far about environmental enhancement, but there is one public good that many members of the public would like to see: better public access. That can of course produce conflict, particularly with some of the environmental objectives. Indeed, one of the best bird habitats that I have seen was the oil refinery at Immingham, where not only were there lots of things for the birds to perch on, but the public—and their dogs in particular—were excluded. Do you think we can get the balance right? Do you think public access should be part of this, or if we are to encourage ground-nesting birds such as curlews, do we need to ensure that we do not have as much public access as some would perhaps wish?

**Patrick Begg:** We live and breathe this every day. This is at the heart of what the National Trust does. It is always a balance, and there will always be trade-offs. There is no blanket policy that you can apply here, but I think we would all agree that more public access that allows people to get the spiritual and physical refreshment that our countryside offers is absolutely critical.

The Bill is incredibly welcome, in that one legitimate area for public investment in future will be increased public access. I could not agree more strongly with what has been done in the Bill on that. Sometimes we can find small examples of disturbance where people and wildlife do not match up very well, and think that it is a universal problem. I think it is not universal. Our experience is that there is a large amount of open countryside in which people can happily co-exist with wildlife. There will have to be some careful thought put into how we make sure that the interface between people and livestock works. Dogs and livestock can be problematic—let us be honest. Again, we have methods for dealing with that. There is public education. It is interesting that the countryside code has gone off the agenda and no longer gets talked about. That can be revitalised, and people can be made to feel engaged in their countryside and feel that they have a shared responsibility for what happens out there, not just as users, but as people invested in it.

**Martin Lines:** On public access, it is good for people's health to get out into the countryside, but it needs to be managed because of dogs and the health and safety aspects of people walking around on farms. This is also about access to information. Hopefully, we can deliver environmental land management plans to let the community have that knowledge and make it publicly accessible. The community around me can access what we are delivering as farmers, and put it on their community pages, so when they use the countryside and the footpaths, they understand what we are delivering.

As an industry, we can communicate positive messages, and talk about some of the trouble and hassle we get from public access, how people can use the landscape,

and the food and public goods that we produce. That should connect back to society, because much of society is disconnected from what the landscape is used for, the food and animals that are used, and the threats that can come from wandering around nesting habitats or letting your dog run free.

**Thomas Lancaster:** Access is a good one to talk about, in terms of thinking about how you can have a holistic approach to securing public goods and food, with a solid regulatory foundation. We would not want farmers and landowners to be paid to keep rights of way open. That is a legal requirement, so you would not pay for that through public payments. What you might do is to pay for permissive access where it makes sense to join up rights of way, and where there is a real desire to connect one part of the local community to another part, but currently there is no path to do so. The farmers we work with are almost always passionate about educational access. They really love the support for it that they get through current schemes and agreements.

There will be instances where access is not suitable for biodiversity reasons, or on a Ministry of Defence firing range or whatever. That points to the need to have really good advice and guidance when we develop future schemes, to enable whoever is putting together the land management contracts to do so in a way that balances all the public goods and secures the best net outcome from any given farm or area of land.

**Gilles Deprez:** My knowledge is not good enough for this question. It is important to have public access. From what I have seen, we have a lot of public footpaths in Cornwall, for example. It is not always easy, to be honest. If you have a public footpath that goes across the middle of your most productive area of land, it is not easy, but we are already doing it today.

**Q15 Ben Lake:** Some organisations have questioned the legality under World Trade Organisation rules of schemes that would pay for the delivery of public goods, as opposed to those that compensate farmers or other land managers for costs incurred and income forgone. Do you recognise those concerns regarding, I think, annexe 2 of the agreement on agriculture? Quite simply, should we also hold those concerns?

**Thomas Lancaster:** Generally speaking, we are of the view that the World Trade Organisation agreement on agriculture provides pretty much all the flexibility that you would want to develop pretty much any public payment system that you would want. Some of the concerns that have been expressed are about whether paragraph 12 in annexe 2 of the agreement, which limits payments for environmental programmes to costs incurred and income forgone, limits the ability to provide a fair return, but even within the common agricultural policy, there are examples of other member states that have gone much further and have paid more for those environmental benefits. That is within the CAP, in which the Commission sets some stringent guidance about how member states' managing authorities can calculate those payments. When we move away from the CAP, there is nothing in the agreement on agriculture that stipulates how you should interpret costs incurred.

In hill farming operations, the income is very low. Some people have expressed the concern that that would mean that payments for environmental benefits would

be low. Actually, if a whole hill farming operation is loss-making and a cost to an individual, you can interpret that as a cost incurred, and you can effectively pay to secure that ongoing management, and then tweak that management to secure specific environmental benefits for curlews, water quality, flood risk management or other public goods that you might secure from an upland farm. We are of the view that there is huge flexibility in that.

Even if you were to declare your public payment scheme as green box, and you have done some pretty imaginative interpreting of the rules, you would still have the aggregate measure of support—the amber box—sat there as a sort of hedge against any challenge that might come from another member of the WTO. It has been blown up into an issue, but is a bit of a red herring, really, in terms of how we might go about developing future payments and providing an adequate incentive for the public goods that the Bill lists.

**The Chair:** We have 10 minutes left, and three more Members want to ask questions. Unless anybody really wants to say something, we will move on.

**Martin Lines:** WTO rules are for DEFRA and the Government to deal with, not farmers. It is your problem. If you are going to design a scheme that will not work because of the WTO, do not do it.

**Q16 Nigel Huddleston (Mid Worcestershire) (Con):** I will target this question particularly at you, Mr Lancaster, because you have mentioned this area several times. Clauses 12 to 16 of the Bill focus on data protection and data sharing, with a view to increasing transparency in the agri-food supply chain. In practical terms, how will that transparency help, and how can we avoid making the data collection too burdensome on, for example, farmers?

**Thomas Lancaster:** I mentioned it recognising its importance, as opposed to being an expert on it, given that I am from a conservation organisation. This is not just about the data collection; from our perspective, if anything, some of the other clauses about first purchases and producer organisations may be more important. I can see that there would be concern about some of the data collection. The Government might get a bit carried away in terms of what data they collect, so there should absolutely be a principle underpinning that. The Government should ask only for data that they will actually use, and data that will further their aim of improving transparency. They should have to be really clear about why they are asking for that data.

On how the powers in the middle of the Bill can improve transparency and the position of farmers, if you take producer organisations as an example, in the Netherlands there is a huge culture of co-operation in farming. That is really lacking in farming in the UK. The powers in the Bill create producer organisations in which farmers can work together to manage supply, market their produce, add value and, effectively, cannibalise some of the roles in the supply chain where a lot of the profit sits. That is how you can return more of the profit back to the primary producer.

Similarly, on the first purchaser of agricultural products clause, we know anecdotally and through reports of the Groceries Code Adjudicator that there are many instances where farmers are not treated well by the first purchaser. At the moment, the GCA extends only to retailers,

whereas that clause would effectively extend that regulation of the supply chain—of that commercial relationship—to all farmers who sell their products. In better regulating that relationship, you can do things such as ensure that farmers are paid within an acceptable timeframe, which effectively strengthens their position in negotiating a price for their product with whoever buys it first.

**Q17 Mr Dunne:** Mr Begg, as one of the largest landowners in the country, do you think that the proposals over de-linking, which might allow residual payment over the transition period to be paid up front to facilitate a retirement or some such, are in practice likely to be applied by any of your tenants, and what does it leave for the continuing tenant if there is no transition funding available for subsequent years?

**Patrick Begg:** Will it be attractive to some of our tenants? I suspect that it will. There may be lots of reasons for that, which we do not have time to go into. There is the risk that you have just identified: will there be a vacuum, in which case nothing could be done, or it is not an attractive place for someone to come and farm? We need to tease that out. I can also foresee a bigger risk. We do not want long-term naked acres where the money is effectively retired out of the resourcing system. We really need to safeguard against that as the Bill progresses and as we design the scheme, because I think it does have the potential to unlock quite a lot of enthusiasm.

We turn over tenancies relatively regularly. The signals out there, both from us and with regard to where the debate has been going, is that we are probably creating a queue of people who are enthusiastically waiting to get tenancies to deliver the kind of things that the Bill sets out. I have confidence that plenty of people are waiting to do this and to make great farming businesses out of vacant tenancies, but it would be a worry if that support was retired out of the scheme. We need to attend to that risk, as the Bill goes through. Is that right Martin? You have plenty of our members in the Nature Friendly Farming Network.

**Martin Lines:** Yes. The question is, if one goes, what support is left for the new one coming in? There are a whole load of new entrants to whom this will hopefully give a kick-start, so that they get the opportunity to get on the renting ladder.

**Q18 Chris Davies (Brecon and Radnorshire) (Con):** I will direct my question to Mr Begg and Mr Lancaster, if I may. Mr Begg, in your submission, you have mentioned dovetailing food production and land management. Looking from the arable fields to the livestock producers on your estates, do you feel that the Bill will reduce livestock production in this country? In 10 years' time, when we reach the end of the transition period, do you expect to see less livestock in this country, or more?

**Patrick Begg:** I think we would all love a crystal ball, so that we could anticipate all that; I am not sure that we can. There will definitely be change. For some of the large livestock businesses that we see, quantum has been the only way to keep their nose above water. This scheme, as I think Tom mentioned, allows people to breathe a little more—perhaps to de-intensify in some places, and change the mix of livestock. We might see a change in the balance between sheep and cattle in some areas.

There are lots of ways that this can go. I see that this has a load of benefits at the back end for individual farmers. If I think about some of the farmers we have worked with in Yorkshire, Cumbria and Wales, rebalancing towards a more mixed livestock system that has less onerous duties for them to manage seven days a week, 24 hours a day—they were looking after huge numbers of livestock—has produced huge benefits for family life. Farmers do not have to spend all their time constantly working, and still get a higher margin by adding value to their produce.

The big thing we need to get right is the support that we give farmers in making that transition, as we start to change to that slightly different balance of livestock. The advice available and the measures in place during the transition for investing in different things to make the livestock system work better are absolutely critical; otherwise, 10 years from now, we will find that people are being asked to do something that they are culturally and practically ill equipped to do.

**Thomas Lancaster:** Upland sheep farmers are a good example of where you might look to the whole of the Bill. Long-term demand for lamb is in decline, as the age profile of lamb consumers is quite old. Young people do not eat it; they eat chicken and pork. In the long term, demand for lamb is likely to reduce. We export 40% of our lamb to the EU, and to north Africa under its free trade agreements with the EU, so what happens if there is friction there? We already hear about sheep farmers in Belgium and France gearing up effectively to pick up some of the demand currently met by UK farmers.

Where you have a chronically loss-making industry, in terms of the profit it makes from the core agricultural operation, direct payments have effectively masked that. We have done some economic analysis of our agricultural operations in the uplands, and direct payments are transformative, in terms of the economic performance of those businesses. You are talking about some of the most incredible, iconic landscapes and places in the country, and at the moment they are just being used for commodity land production, with no added value at all. Can we look to the provisions of the Bill on producer organisations to enable us to work with farmers in south or north Wales to create brands around Brecon lamb or Snowdonia lamb, or whatever? Those farmers could then work together to regulate supply, add value, process and brand the product, and develop markets, and they could focus much more on profit and provenance than on the total production that goes into a commodity market—

**The Chair:** Order. I am afraid that brings us to the end of the time allotted to the Committee to ask questions. On behalf of the Committee, I would like to thank the witnesses for their evidence.

#### Examination of Witnesses

*ffinlo Costain, David Bowles and Simon Doherty gave evidence.*

10.56 am

**The Chair:** We will now hear evidence from Farmwel, the Royal Society for the Prevention of Cruelty to Animals and the British Veterinarian Association. The Committee is most grateful to you all, particularly the

[The Chair]

BVA, which has agreed to offer a witness at very short notice. For this session we have until 11.25 am. Will the witnesses please introduce themselves for the record?

**Simon Doherty:** Good morning, I am Simon Doherty, president of the British Veterinary Association. For clarity, I will declare that I have just completed three years' consultancy as the animal health and agriculture specialist of the Department for International Trade.

**David Bowles:** Hi! I am David Bowles, assistant director at the RSPCA, and I have been working on CAP and WTO issues for about 20 years.

**ffinlo Costain:** Hello there. My name is ffinlo Costain and I run Farmwel. We work very closely with FAI Farms, which is a sustainability consultancy working with big retailers at national and global level.

**Q19 Dr Drew:** Do you think that the Bill satisfactorily addresses either animal welfare or animal health issues?

**David Bowles:** It is a very good start. You have to put it in context. The CAP has allowed payments for animal welfare since 2003, so we have had two seven-year cycles. If you look at how many schemes there have been in the UK for animal welfare during that time, there has been one, in Scotland. That is not due to lack of enthusiasm from the devolved Administrations; that is due to lack of money, because pillar 2 has not given that money to open up those particular financial streams.

The RSPCA was delighted when the Bill came forward and acknowledged that animal welfare is a public good. Of course, we would like to see, as the previous presenters said, more clarity that there are duties to give money to animal welfare, because animal welfare has been squeezed out in the last 15 years under CAP and we do not want to see it squeezed out in future.

Yes, it is a good start. We would like to see some ring-fenced funding. We also crucially welcome the fact that the Department for Environment, Food and Rural Affairs has linked in animal health and animal welfare. Those two are crucial. If you are looking at things such as lameness and mastitis, if you are trying to improve one, you are improving the other. I think there is a huge opportunity for win-wins here on animal health and animal welfare.

**ffinlo Costain:** I agree entirely with what David just said but I think there is a real challenge. We would like to see a whole-farm approach to environmental land management schemes, so that you do not have progress on one public good on one part of the farm, but degradation of that same public good on a different part of the farm. Part of the challenge is around understanding the role that farm animal welfare plays, not only in and of itself to improve the lives of animals, but as an indicator of progress on environmental improvements as well. From that perspective—sorry, I am not sure what the second thing was that I was going to say, but that will do for now.

**Simon Doherty:** By way of an opening remark, I fully concur with what David and ffinlo have just said by way of introduction. Certainly, the BVA position would be that we feel that this is a really good start. It is a nice piece of legislation. There are sufficient powers contained within it, we feel, to give the Secretary of State the ability to make appropriate changes where necessary within the realm of animal health and animal welfare.

Our overall position is that health and welfare are inextricably linked, but although we feel that there is a lot to be gained by maintaining that link, there are times when we need to separate welfare and look at particular aspects that relate to welfare outcomes—good welfare on the farm is not just absence of disease. There are times when we appreciate that there is a very close link between health and welfare, but there are also times when we need to be able to measure each separately. For both to be public goods, there need to be appropriate measures across the board.

**ffinlo Costain:** I have remembered my final point. Our view is that climate change and biodiversity must be addressed together. You can get some quite perverse outcomes, particularly on farm animal welfare, if you simply focus hard on greenhouse gas emissions; you displace some of the environmental impact of the feed production, nitrous oxide production and carbon dioxide production that is associated with those more intensive systems. It is really important that farmers should not deliver some public goods at the expense of other public goods that are part of that. Improvements in climate change and biodiversity must be delivered together, and farm animal welfare is a great indicator of progress in both those areas.

**Q20 George Eustice:** The premise behind the Bill is that, as you said, animal welfare is a public good, just like environmental outcomes. That is quite a radical, new thing for the Bill to state explicitly. Just as we have environmental stewardship schemes now, we intend to design schemes that could support higher standards of animal welfare for farmers that go above and beyond a regulatory base. What is your view on the design of such schemes, given that this is quite new? Some countries have tried it. Should we emphasise investment in capital to get new housing that is more animal welfare-friendly? Should we incentivise people to join holistic higher welfare schemes? Should we pay farmers for delivering results, such as pigs arriving with intact curly tails at abattoirs? What is your sense of the balance between those, and what type of interventions do you think we ought to consider?

**Simon Doherty:** It is probably all of the above—it is the whole piece across the board. In measuring the outcomes, it is important that we do not just reward farmers for doing the minimum legal standard. It is actually about going above and beyond. The overall purpose has to be to raise the bar right across the board. It should not just be about rewarding the farmers who choose to do things above and beyond; it should be about bringing people who are a little bit behind the game on welfare to a point where they improve their end game. That will not just be through a purely financial reward—quite a bit of thought needs to be put into the individual schemes to make sure that we are bringing everybody along. It certainly needs to be right across the board.

**David Bowles:** I mentioned at the beginning that the UK has only ever had one animal welfare scheme, but in the EU there have been 50 different rural development programmes on animal welfare over the last two cycles since 2007. They provide a huge amount of rich experience that shows that you can get good welfare outcomes from inputs from financial incentives. The RSPCA would like to see a two-tier system that has both the incentives

that the Minister mentioned. For instance, you would have capital costs for rewarding people who build larger lunging spaces for dairy cattle. You would have outcome-based measures—for instance, the number of tails on pigs going through abattoirs that show a lack of mutilation. As Simon said, you should aim for people to go to a higher welfare scheme, such as RSPCA Assured. We believe that if you do so, you will get the incentive to improve animal welfare and animal health, and you will get farmers using a much better farming system than they use at the moment. This gives us a real opportunity to break the mould on animal welfare and get much better animal welfare farming happening in the next 10 years or so.

**ffinlo Costain:** I agree with both the previous comments. It is essential to increase standards across the board. We should not only improve those standards as and when we leave the EU, but put in place a mechanism—and metrics are a really important part of this—to enable us to continually review the standards, based on what is being achieved by farmers, not just in the UK but around the world, to ensure that our standards continue improving. I think that at the moment, DEFRA want to provide financial assistance for farmers who are genuinely trying to improve their systems. We support that, and we think that sometimes, that assistance may need to be quite substantial. I think that DEFRA also want to reward particular excellence, and again, metrics are critical to measuring that progress. The best way for Government to achieve this is to work with existing—and possibly new-entrant—higher welfare schemes, schemes like RSPCA Assured, Soil Association and others, and then provide rewards based on particular metrics that the Government agree are critical.

In terms of metrics, we should not just be focusing on inputs. There is often a lot of focus on the inputs—the type of housing, the space allowance, the genetics of the animals, and that sort of thing—but we should also be looking at the outcomes: what is achieved. The inputs give us the key determinants in our ability to deliver improved farm animal welfare, but the outcomes tell us whether that improvement in welfare has been delivered. We need to see on-farm metrics that help farmers improve their day-to-day efficiency, the productivity of their businesses, and their ability to deliver better welfare and better sustainability in the round. There is also a huge opportunity across the nation at the moment that is underplayed, which is in the area of slaughter. That is where most livestock end up. There is potential to gather an enormous amount of helpful data that will help farmers, policy makers, and retailers' assurance schemes deliver better welfare, and have a much more forensic understanding of where welfare sits across the board and whether attempts to improve welfare are being successful.

**Simon Doherty:** Minister, there is also a real opportunity to engage new technologies that are being validated to measure some of these objective welfare outcomes. A huge amount of work is going on, and the UK is very much ahead of the game on this. We have some fantastic research centres across all four regions of the UK that are doing brilliant work on things like thermography, video imaging, wearable devices and so on, which are helping to measure health outcomes, but are also being validated to measure welfare outcomes. We do not necessarily need to cover all of our farms in that technology,

but incentivising the uptake of some of these new technologies that can be used to benchmark animal welfare will be increasingly important as we go forward.

We have had a huge amount of engagement recently. BVA produces an infographic on welfare related to farm quality assurance schemes, and there has been a huge amount of uptake right across the board on that, including—as was previously mentioned—RSPCA and Soil Association schemes. As I say, that is going to be really important to building public engagement about this being a public good.

**Q21 George Eustice:** Briefly, because I know we are tight on time, our understanding of farm animal welfare has developed somewhat over the past 15 years or so from the traditional five freedoms—freedom from hunger, pain, and so on—to much more of a notion of a life worth living and animal wellbeing. Do you share that view, and what are the implications for the types of schemes we should be incentivising, versus the types of approaches we should take to a regulatory baseline?

**David Bowles:** Absolutely. The uptake of the RSPCA Assured scheme, which the RSPCA sets standards for, is patchy. It covers about 55% of egg production in the UK, about 23% of pig production and about 30% of turkey production, but for the sheep, beef and dairy sectors, uptake is under 1%. However, as part of the scheme, the RSPCA has been doing welfare outcome assessments for the past 10 years or so, which started off with laying hens, dairy and pigs and is also now moving into chickens. We have got a lot more skilled in working out what the animal is thinking and what its welfare outcomes are. The RSPCA knows from its schemes—this is a commercial scheme—that those systems are easy to put in, that they are fairly easy to measure and inspect as part of the audit trail, and that they work. The farmers appreciate them because they need feedback in terms of how their animals are feeling as well.

We already have a lot of the science there to enable us to look at this. We would certainly welcome using those measures as part of any scheme going forward and, of course, welcome anybody coming to any of our farms to see how those welfare outcome assessments work in practice.

**ffinlo Costain:** A sustainable farm is, in our view, a happy and healthy farm. It is one where the animals and farmers are making progress and are both having a life worth living. It is not just about the animals; it is about the farmers as well.

I used to run a regional branch of the National Farmers Union. For many of the members that I represented, the main time that they came across metrics was when they sent an animal to the abattoir and were told that it did not quite achieve the grade that they expected it to. That was the feedback they got, and they got less money. That is really negative. We need to change that so that there is a much more positive relationship with metrics.

I take the example of my neighbour's farm. He has big challenges with his lamb production. We would like to see an assurance scheme that measures his farm in the round—that there are what we might call iceberg metrics that are measured by the Government, partly on a farm and partly at slaughter, where we are looking

at low levels of lameness, low levels of ailments such as liver fluke and low levels of antibiotic use, and measuring those things together.

My neighbour is putting in place some really interesting measures around hedgerow management, carbon sequestration and water management, which will improve sustainability at the same time as improving the health and the welfare of the sheep on that farm. If he was achieving against those three measurements together and improving year on year, he would be happier with the farming system that he has, would be earning more money and would have increasing yield at the same time as feeling good about his farm, being able to communicate that with his community and also earning additional money in relation to those public goods. That is the sort of progress that we would like to see, which is very much along the lines that the Minister is thinking of at the moment.

**David Bowles:** Of course it is a balance. You have to make sure that you do not make any scheme too complicated. You have to have measurements that are easy to measure and quick to measure as part of the audit scheme. It is a balance between getting that data out and making sure that the audit scheme works properly.

**Q22 Deidre Brock:** A lot of doubt has been expressed around the Government's commitment to the maintenance, or indeed the improvement, of animal welfare standards in the face of future difficult trade deals. What concerns do you have about that? What commitments might you might like to see placed in the Bill?

**David Bowles:** The RSPCA, like the previous witnesses, has huge anxiety about future trade deals. Let us look at the number of countries that we are looking to do trade deals with. At the moment we are obviously looking to do a trade deal with the EU. We have broadly a level playing field with the EU, because we have had animal welfare standards since 1974 and they cover most of the species in the EU. Of course we would like to see them higher, but they are pretty good. The EU and the UK have probably some of the highest animal welfare standards in the world, so that means that anybody else that we are trying to do trade deals with has lower standards—the only exception is New Zealand. The USA has hugely lower standards. Not only is it still using methods that are illegal in the UK, such as beef hormones or ractopamine, but it is also using standards that are illegal in the UK, such as the conventional battery cage and sow stalls.

The RSPCA would like to see an amendment to the Bill that was rejected by the House of Commons on the Trade Bill—that any trade deals would allow in only products that are produced at least to the standards in the UK. If we do not have that, we have a race to the bottom; we are just exporting our good animal welfare standards to somewhere else and we do not want to see that. We want to see a vibrant, healthy farming community in the UK, producing at higher welfare standards and giving the consumers what they want, not the bringing in of products and food that are produced to illegal or worse standards than here.

**ffinlo Costain:** I echo what David said, but I would also say that, in my meetings with Ministers and officials at DEFRA, I think there was a genuine commitment to improving farm animal welfare. I have been really heartened

by that as we have been going forward. At the same time, there are some really challenging balances, exactly as David said. However, at the heart of this is what is the market in the UK, not only for our farmers at home, but abroad, and it is about quality. If we have lower standards coming in, it undermines our marketplace and our rural economy. It is essential that we recognise that we are never going to win a race to the bottom; we cannot. We can win a race to the top. We already have good quality products that could be much better quality in terms of welfare and the environment that we can sell as a story, as a whole product, whether that is branding, as Tom was talking about before—Cumbrian lamb or whatever—or whether it is selling branding at home; whether it is building the business case through public goods to our local communities and to the taxpayer for additional assistance in terms of land management and public goods; or whether it is underpinning the British brand and selling and promoting that quality around the world.

In addition, if we are building a market based on quality and reviving our rural economy, whether it is small, medium or large farm businesses, we will be developing new technologies and new machinery that we can also export. We want to see not only a growth in improved welfare and environmental standards, but a revival in the countryside. The Bill is a fantastic step in the right direction, but it is just framework legislation. We need to see more work in the future—for example, the gold standard work that DEFRA is engaged in.

**Simon Doherty:** I agree with the two previous correspondents entirely. I will not repeat everything that they have said. We have had some very encouraging, strong lines from DEFRA. The disappointment has been that there have been weaker lines from the Department for International Trade. We need to make sure that there is a join-up across Government to make sure that we are all singing off the same hymn sheet in relation to welfare, so that we do not have one part of Government saying one thing and another part doing another. Obviously, I will say this as the president of the British Veterinary Association. We feel that we are absolutely at the juxtaposition of animal health and welfare. We are here today because the role of the BVA is to represent the veterinary profession to Government. We hope that one of the outcomes across the board will be a recognition of the role of vets in veterinary public health, in animal welfare, in animal health, and ultimately in food security for the country.

**David Bowles:** Of course, the other way to stop this, apart from in trade deals, is to give the consumer information. At the moment we only have one mandatory method of production label, which is on eggs, and we know that that has worked. It has driven the market up to 55% now for free range eggs, because the consumers wanted that. We hope that in the Bill we get some mandatory method of production labelling going into other areas. There is a chance of getting that. I know the Government share some of that enthusiasm, and that would be really good. The consumers always say they want higher animal welfare, but some of the time they are confused because the label does not show that.

**ffinlo Costain:** The evidence shows that, where method of production labelling exists, at least 50% of consumers choose the higher welfare option, which is often a little

more expensive. Method of production labelling is not only important in terms of helping to drive that market, but is really about improving communication. There is a big disparity between, particularly, people who live in the city, but also often people who live in the countryside as well, and the way that food is produced; I do not know whether that is driven by CBeebies. I have a four and a six-year-old and they constantly see one model of farming that does not necessarily reflect the way that farming is. Labelling and communication in general builds the case for improved prices and for commitment to local farmers, or farmers at a British level, and across the board. I think it is really important.

**Q23 Jenny Chapman:** I note what you say about the positive comments from DEFRA on the animal welfare that we have at the moment, but the Bill needs to be future-proof, and not all future DEFRA Ministers might be as cute and cuddly as the hon. Member for Camborne and Redruth. You talked about a level playing field with the European Union. We need to make sure that we maintain at least that. I am told that we have probably the best animal welfare standards in the world. How can we make sure that the Bill stands the test of time and that we maintain that position? Some people argue that we ought to be almost pegging our standards to those of the EU so that we do not fall behind, and future Governments might experience pressure in the light of trade deals that might come in future years.

**David Bowles:** One of the most exciting things about trade deals at the moment—if I can use the words “exciting” and “trade deals” in the same sentence—is that we are starting to see language in them about equivalence on animal welfare standards. The EU has been a driver for this. It started with South Korea and has now got it with Chile, and it is looking at getting it with Mexico as well. That is a real incentive. We want to see similar language on equivalence with the EU, as well as with others. RSPCA Assured has shown that raising animal welfare standards can be done on a commercial basis—consumers will vote with their purses if they are given the right information and if there is enough transparency on the retailer market shelf—but some specific language on equivalence needs to be put into trade deals.

**ffinlo Costain:** Being in the lead is not something that continues unless you keep working at it. There are areas in which other countries are catching up with the UK, and possibly one or two in which they are starting to move ahead. It is therefore critical that we have metrics to measure the inputs and outcomes, and to understand at a national level where we want to be and how successful policy is at making that progress. We should be leaders—this is our opportunity. We will not win the race to the bottom, but we can win on quality by selling at home and selling abroad.

Look at Origin Green in Ireland. It is a unique national brand, although its climate outcomes are nowhere near as strong as what I would like to see. If we had a national brand based on metrics for climate change and biodiversity, with farm animal welfare used as a critical indicator of progress in both areas, it could be part of our gold standard work. It would underpin our progress and ensure it continues, and be a national brand that we

could sell abroad. Origin Green is a really good place to look for an opportunity that we could quickly overtake and surpass in export and home production.

**Simon Doherty:** There is a huge commercial advantage from other parts of the world opening up to exploring improved animal welfare. We have consultancy firms such as FAI Farms that are working globally to help other jurisdictions to raise their standards towards those that we work at in Europe and in the UK.

I mentioned the underpinning research and development that is going on in the field of animal welfare. There are certainly other parts of northern Europe that are working on curly tails on pigs, for example, or improving health indicators such as mastitis or lameness in dairy cows. We have that world-class expertise across the board, and we need to continue to build on it. We also need to ensure that the funding is there to underpin that research.

**Q24 Mr Dunne:** I know that we are almost out of time, but I have one more question. The Government are looking to simplify some aspects of inspection regimes and so on through the Bill. In the areas that you are responsible for in animal welfare, do you have any recommendations that are not already in the Bill for improving but simplifying things?

**David Bowles:** We have been working with Dame Glenys Stacey on her review. Slightly worryingly, she has said that its recommendations will not be published in time for the Bill. There is a mismatch in terms of how we ensure good enforcement, particularly now that cross-compliance is ending, so we would like to see a commitment in the Bill to implementing some of the Stacey review’s recommendations on enforcement. The Government’s own research has shown that those who farm under a welfare assurance scheme, particularly one such as RSPCA Assured, are much less likely to break the law. We would like to see payments given to higher welfare assurance schemes, not just because they produce animal welfare benefits, but because they improve enforcement.

**ffinlo Costain:** We would like to see a reduction in the paperwork that farmers need to do. Reducing that burden is important if farmers are to become more productive and efficient, but we also want to see an increase in what is measured. We can achieve that by promoting self-assessment on farms and farmers’ participation in assurance schemes, and by increasing the measurement of data collected on use of technology to assist farmers, so that they feel the benefit day to day. We also need to work with slaughterhouses on livestock to ensure that we are doing much more measurement and standardising it. By pinning all that work together—self-assessment, technology, use of data and use of slaughterhouses—we can measure more, measure more effectively and reduce the burden.

**The Chair:** Order. I am afraid that that brings us to the end of the time allocated for the Committee to ask questions. On behalf of the Committee, I thank the witnesses for their evidence.

11.25 am

*The Chair adjourned the Committee without Question put (Standing Order No. 88).*

*Adjourned till this day at Two o’clock.*



# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

Public Bill Committee

## AGRICULTURE BILL

*Second Sitting*

*Tuesday 23 October 2018*

*(Afternoon)*

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### CONTENTS

Examination of witnesses.

Adjourned till Thursday 25 October at half-past Eleven o'clock.

Written evidence reported to the House.

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No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

**not later than**

**Saturday 27 October 2018**

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**The Committee consisted of the following Members:**

*Chairs:* † SIR ROGER GALE, PHIL WILSON

† Antoniazzi, Tonia ( <i>Gower</i> ) (Lab)	† Harrison, Trudy ( <i>Copeland</i> ) (Con)
† Brock, Deidre ( <i>Edinburgh North and Leith</i> ) (SNP)	† Hoare, Simon ( <i>North Dorset</i> ) (Con)
† Chapman, Jenny ( <i>Darlington</i> ) (Lab)	† Huddleston, Nigel ( <i>Mid Worcestershire</i> ) (Con)
† Clark, Colin ( <i>Gordon</i> ) (Con)	† Lake, Ben ( <i>Ceredigion</i> ) (PC)
† Davies, Chris ( <i>Brecon and Radnorshire</i> ) (Con)	† McCarthy, Kerry ( <i>Bristol East</i> ) (Lab)
† Debbonaire, Thangam ( <i>Bristol West</i> ) (Lab)	† Martin, Sandy ( <i>Ipswich</i> ) (Lab)
† Drew, Dr David ( <i>Stroud</i> ) (Lab/Co-op)	† Stewart, Iain ( <i>Milton Keynes South</i> ) (Con)
† Dunne, Mr Philip ( <i>Ludlow</i> ) (Con)	† Tracey, Craig ( <i>North Warwickshire</i> ) (Con)
† Eustice, George ( <i>Minister for Agriculture, Fisheries and Food</i> )	† Whitfield, Martin ( <i>East Lothian</i> ) (Lab)
† Goodwill, Mr Robert ( <i>Scarborough and Whitby</i> ) (Con)	Kenneth Fox, Anwen Rees, <i>Committee Clerks</i>
	† <b>attended the Committee</b>

**Witnesses**

Andrew Clark, Director of Policy, National Farmers Union

Christopher Price, Director of Policy and Advice, Country Land and Business Association

George Dunn, CEO, Tenant Farmers Association

Jason Feeney CBE, Chief Executive, Food Standards Agency

Dr Nick Fenwick, Head of Policy, Farmers Union of Wales

John Davies, President, National Farmers Union Cymru

Huw Thomas, Political Adviser, National Farmers Union Cymru

## Public Bill Committee

Tuesday 23 October 2018

(Afternoon)

[SIR ROGER GALE *in the Chair*]

### Agriculture Bill

2 pm

*The Committee deliberated in private.*

#### Examination of Witness

*Andrew Clark gave evidence.*

2.6 pm

**The Chair:** Good afternoon, ladies and gentlemen. We will now hear oral evidence from the National Farmers Union. Will you identify yourself for the record?

**Andrew Clark:** I am Andrew Clark, director of policy at the National Farmers Union.

**The Chair:** Thank you for taking the trouble to join us. We have until 2.30 pm for this line of questioning. I am sorry we are running slightly late, but there were some domestic issues that had to be discussed. The first question is from the Minister.

**Q25 The Minister for Agriculture, Fisheries and Food (George Eustice):** Thank you, Mr Clark. Do you agree with the central premise of the Bill, which is that the end state should be that we phase out direct area subsidy payments, and instead support agriculture in a different way, helping it to invest in productivity and deliver environmental outcomes and other public benefits?

**Andrew Clark:** We certainly agree with the central premise that we should move to a new state. We believe that the transition period of seven years is probably the right timescale at the moment. However, we are concerned that it is difficult to predict the circumstances we will find ourselves in during that seven years—or even next week. During those seven years, while moving to a situation where public goods are the primary reward for farm businesses, there should be an opportunity for Ministers to pause, reflect and review that transition, and to vary payments.

**Q26 George Eustice:** So you support the power to extend the transition during the transition.

**Andrew Clark:** We would like to widen that power slightly to allow Ministers and future Governments to vary the transition according to economic circumstances and the ability of farm businesses to deliver on the public goods that you want to achieve.

**Q27 George Eustice:** You have talked about food security being an objective of policy. What do you deem to be the correct level of self-sufficiency?

**Andrew Clark:** It is a good question. For starters, we are very clear in our mind that food security is a public good. It is in the public interest to ensure that there is a sufficient level of food supply from domestic sources. One of the changes to the Bill that we would like is clarification that it is a particular objective of the Government to achieve food security. We believe this should be a direction of travel, rather than wanting a particular level. Clearly, for different crops, there are different levels of food security. In some crops, we could

be 100% self-sufficient; in others, such as bananas and aubergines, we probably never will or should be. We believe food security should be an objective of the Bill and should be in there with public goods.

**Q28 George Eustice:** Finally on this point, do you think the fact that sectors such as poultry, pigs and soft fruit—the ones that have traditionally received no support—are the ones in which we are most self-sufficient slightly undermines the argument that direct payments of one sort or another are essential to deliver food self-sufficiency?

**Andrew Clark:** Our objective would be to ensure that there was intervention to assist all businesses, in whatever sector, in contributing towards food security and sustainable management of the land. Every sector has a contribution to make to that. Pigs and poultry indirectly benefit from the fact that they take feedstocks from other parts of the farm economy—notably cereal farmers—that receive direct payments.

**Q29 George Eustice:** Finally—I know we are short of time—part 2 of the Bill gives the Government powers to simplify and improve the legacy basic payment scheme system. What would your organisation most like to see changed during that transition period?

**Andrew Clark:** That is a good question. One of the things we would like to see is a simplification of the approach. The objective of simplifying and improving is laudable. One of the concerns about the transition relates to untangling the bureaucracy we find currently with greening—the detail of measurement and that type of thing. In terms of outcomes, however, some of those greening measures potentially have good benefits for farm businesses and the sustainable management of land and soils, and we would be disappointed if the existing benefits from agriculture production were lost during the transition period.

**Q30 Dr David Drew (Stroud) (Lab/Co-op):** Very quickly, what other worries have you got about this Bill?

**Andrew Clark:** There are a number of worries. The Bill is fairly silent on three crucial areas that we think need to be addressed. Ministers have rightly made a lot of points about farmers' proud record on caring for the environment and, in particular, animal welfare and health. It seems to us that the Bill should give greater provision to protecting and retaining farming standards, environmental standards and animal health and welfare standards, in the face of the new trading environment. We would like to see some measures, and perhaps some amendment, relating to that.

As the Minister has pointed out, the long-term commitment is for farming to continue to deliver a contract around environmental and land management. That is a multi-annual commitment, and we believe that there should be a multi-annual budget to go along with that, rather than just a year-to-year budget. We would like to see something that reflects the long-term nature of the farming community's expectations in the Bill.

The final thing is that we feel that there is not quite enough agriculture in the Agriculture Bill. Although it sets out clearly what types of things can be done—perhaps not how they will be done—it does not say who will benefit from those payments. We think it is important that it is the active land manager, the farmer and the food producer. It should be seen through the prism of food production and the active management of land.

**Q31 Dr Drew:** Just a very quick rejoinder. If the Bill goes through unamended, what type of farmers are most at risk from the changes?

**Andrew Clark:** The economic modelling that has been done suggests that it is the livestock sector—particularly beef and sheep, and especially in the lowlands. A lot of focus is given to upland farming—I have great interest in that myself, having worked on conservation and environmental schemes for most of my career at the NFU—but lowland livestock farms in marginal situations in the west of the country have few choices other than grazing land. They are particularly vulnerable communities. Very often, they are communities; they are not just isolated farms. They form a network and the backbone of both the landscape and the farming community.

**Q32 Mr Robert Goodwill** (Scarborough and Whitby) (Con): In this morning's evidence session, we had two farmers from different parts of the country, representing different types of farms. One was from Cambridgeshire, where the fields have been amalgamated and production is very intensive, and the other was from the south-west, and he said, for example, that the field margins around hedges discriminated against him because he has small fields. On my farm, I have very small fields, compared with my next-door neighbour, and I always feel that we are being picked on.

As we go forward, how can we manage to have a system that works for the farmers who have intensified their farms and are going to green them up while not being unfair to the ones who are already very green? How do we reward progress and, at the same time, reward the people who have always been doing the right thing?

**Andrew Clark:** This is one thing I wanted to pick up in evidence to the Committee. The legislation that we are looking at is only half of the formula that needs to be delivered in order for farms to be profitable, sustainable and productive in future. It is the policy that goes alongside that legislation that is important. That policy needs to be one of opportunity, that creates opportunities for farms to follow the approach, whether it is public good provision, or becoming more productive or, hopefully, doing both those things together.

Looking at that policy and the measures that are available, it is important that the Agriculture Bill ensures, in fact, almost places a duty on Ministers, to deliver schemes that help farms to be both more productive and more sustainable in future. Those two themes would apply both to the farmer in the west country and the farmer in East Anglia. There are great opportunities for both of them to manage soils better or protect waters and thereby manage their farms in a more profitable and productive way in future—for instance, by nutrient management and introducing some of the approaches in terms of minimum till agriculture. That would apply to both farming situations.

**Q33 Martin Whitfield** (East Lothian) (Lab): This is a very straightforward question, but I am not sure you are the person to comment on it. Do you think in this primary legislation an opportunity could be taken to resolve the red meat levy discrepancy between Scotland, Wales, Northern Ireland and England?

**Andrew Clark:** For fear of breaking into devolved discussions, I suspect that the Agriculture Bill is not the right place. I suspect that the reform of the Natural

Environment and Rural Communities Act 2006 that set up the Agriculture and Horticulture Development Board in the first place, might be the appropriate place. Whether legislation is the way to sort that out or having the parties sit round the table and come to agreement, it is part of a wider issue, which again is perhaps not covered in the Agriculture Bill as much as it should be.

Scotland is absent, as we know, from the schedules, which from a UK farming perspective is concerning. We would like to see a common framework in agreed areas across the whole country, because that benefits every farm business and allows the free flow of goods and services and agricultural activity across the whole UK economic area.

**Q34 Colin Clark** (Gordon) (Con): World Trade Organisation rules have come up as a potential concern—that could constrain payments such as less favoured areas or coupled support. It has been said that the Secretary of State could potentially limit devolved Administrations or even England. In earlier evidence, the Royal Society for the Protection of Birds said that WTO concerns were a red herring. Is it a concern you share, considering that we have an aggregate measure of support in the amber box? Are you concerned about the WTO being an issue?

**Andrew Clark:** There is clearly an obligation on the UK to be a responsible party to the WTO. However, the measures that have taken place that can influence that compliance and participation are devolved to individual parts of the UK and the Governments there. I think that devolution should be respected, but the Governments in each part of the UK need to come together, compare and agree an approach that works for every part of the UK.

We are concerned that, although there might be no intention at the present moment for some of these powers that are granted under the Agriculture Bill to be used by Ministers, this Bill could last 40 years. It could be another decades-long power. Those powers could be used very differently by different Administrations in future. In terms of the WTO obligations and powers, we are not sure how those powers might be used in future.

It is clear that we need to get some more clarity about the powers. That applies not just to the WTO provisions but to many other powers. I think the House of Lords Delegated Powers and Regulatory Reform Committee counted 26 new powers granted to Ministers across the Agriculture Bill. We need to have clarification about how those powers are going to be used, in order to have the full sight of Parliament and stakeholders such as the NFU on those detailed concerns.

**Q35 Colin Clark:** To follow up, as the amber box is as much as £3 billion, it would be highly unlikely unless an entire payment were to go into the amber part of the WTO, where that could be a concern. It is hypothetical as opposed to realistically going to arise, isn't it?

**Andrew Clark:** At present, it is hypothetical, but the point I am trying to make is that there is delegated ability to take action in each part of the UK. There needs to be agreement about how that is played out in a mature and professional way. I wouldn't go as far as saying it is impossible. Clearly, £3 billion spent on an amber box in one country is impossible. We do not know what the total budget would be either. There are a number of factors around there that are still uncertain.

What we would like to see is agreement between the devolved parts of the UK and Westminster about how that is taken forward and how those powers are deployed.

**Q36 Sandy Martin** (Ipswich) (Lab): I note your contention that there is not enough focus on food production in the Bill. Would you agree with me that there is also not enough focus on the delivery of safe and healthy food? Would you support a duty on the Secretary of State to support the development of local supply chains and other measures in order to ensure delivery of safe and healthy food?

**Andrew Clark:** I am not sure I would go as far as a duty, but that is the sort of thing the NFU would like to include in the policy measures that are available and follow from that. Certainly, one of the objectives of food security could be strengthening and building local supply chains, both to private citizens and to the public sector as well.

**Q37 Trudy Harrison** (Copeland) (Con): You mentioned earlier that livestock and lowland farms were identified as being particularly at risk. Given that they are already on fairly poor land—they are often coastal farms—does the Bill allow any mitigation to support those farms, and if not, what does the NFU recommend?

**Andrew Clark:** At present, the Bill does not go into that detail. That is something that would fall into the policy measures that would follow from this. There is potential for agri-environment schemes to help deliver support to those type of farms. Equally, I would see measures on the productivity cornerstone the NFU has been advocating as being suitable for those types of farm business so they can, as I say, be better, more sustainable food producers, but also sustainable in the environmental sense.

**Q38 Mr Philip Dunne** (Ludlow) (Con): Do you think the categories of extraordinary measures that can be introduced in the event of market failure or disease having a particular impact on certain sectors of agriculture are sufficient if the country, as a result of the introduction of these new schemes, loses its position on food security and imports take over a much higher proportion of the food consumed in this country?

**Andrew Clark:** You make an important point. We are very pleased to see provision for measures to be taken in exceptional market circumstances. The concern we have around that comes down to a couple of things: first, the power is a power and not a duty. In the circumstances that exceptional market conditions exist and are recognised, Ministers may choose to take action rather than have any expectation or duty to do so. We would expect that would be more likely a duty that should reside with Ministers. Secondly, that it is qualified; there are a number of circumstances that have to be in place for that to be taken into account. We would like to see, for example, a consultation with the industry and consideration given to the marketplace and market returns to understand whether an exceptional market situation exists or could exist in the near future. There is more work to be done on that.

**Q39 Simon Hoare** (North Dorset) (Con): Everyone agrees that certainty on how and where to invest, and so that people can lend money to farmers and the agricultural sector for investment, needs to be safeguarded as much as possible in the Bill. To put it another way, that is

something on which the major political parties can coalesce and which will not be subject to tinkering every six minutes or every change of Parliament, and so on. What is your hunch? Is there enough in this Bill? Is it robust enough to give the agricultural sector—those who wish to invest in the staff working within it or to lend to it—the option of doing so in the confidence that there will be a UK agricultural sector 20, 30, 40 or 50 years hence?

**Andrew Clark:** It is the start of that. There is certainly through to the end of this Parliament. The reason I raised the issue about a multi-annual budget is because we are not certain about the future. There is a transition path which sees the movement of money away from the basic payment scheme. We are not clear, apart from policy statements, about what that looks like or about the certainty and security that provides for farm businesses to invest in the future. Farm businesses are long-term investments. The food sector relies on 60% of its inputs from the farm sector in the UK, so we would hope that, by the time it leaves Parliament, the Bill will create that certainty and security for farm businesses and the rest of the food sector to invest with confidence. At present, without that budget certainty, I am not sure that there is that absolute cast-iron certainty.

**Simon Hoare:** Sir Roger, may I clarify something?

**The Chair:** Briefly, please.

**Q40 Simon Hoare:** Just as, for example, we have that welcome figure of 0.7% of GDP for international development, would you be happier if there were, or are you looking to have, some sort of guaranteed ring-fencing or envelope of money—although how the envelope is spent is possibly subject to change—so that you know full well there is money set aside by the bean counters in the Treasury and agriculture has not been forgotten, particularly in difficult spending rounds?

**Andrew Clark:** That would certainly provide the certainty that we have been looking for. Whether a percentage of GDP or not, we would have to discuss—but that would be an ideal.

**The Chair:** Thank you. A final question from Deidre Brock.

**Q41 Deidre Brock** (Edinburgh North and Leith) (SNP): On the points you were making earlier regarding the free movement of goods and produce around the UK and ensuring that that is not hindered, is it not so that in some cases there are already quite significant divergences of approach in regulations in the four countries of the UK?

**Andrew Clark:** I did not hear the middle part of the question, sorry.

**Q42 Deidre Brock:** In regard to the point you made earlier about the free movement of goods and produce around the UK and that not being hindered, is it not the case that there are already quite significant divergences of approach in regulations in the four countries of the UK?

**Andrew Clark:** I do not want the Committee to go away with a misunderstanding. I am not saying that there should be the same policy measures in every part of the UK. There are issues such as food labelling or the use of plant protection products, for example. There is a series and I could provide a minute or an extra piece of

evidence about that. There are areas where we think there is an opportunity for agreed approaches across the UK land area that would not conflict with the absolutely correct divergence of policy practice and measures in each part of the UK.

**Deidre Brock** I note you used the word “agreed”, not “impose”.

**Andrew Clark:** I emphasised the word “agreed”. We agreed an approach between the UK farming unions. Minette Batters, my president at the NFU, chairs a UK farming roundtable, and we agreed the type of approach that we would like to see for a common UK agricultural policy, and the topics that should be subject to that, around a table with 15 different organisations and all the UK farming unions.

**The Chair:** Thank you. I am afraid we must draw this session to a close. I apologise to those colleagues who did not get called. I have made a note and will try to give you priority next time round. [*Interruption.*] No, I am sorry.

Mr Clark, thank you very much indeed for taking the trouble to come. The Committee is indebted to you for answering the questions.

**Simon Hoare:** On a point of order, Sir Roger. This is an Agriculture Bill; we had 24 minutes with the National Farmers Union, and we had 90 minutes this morning from our first four witnesses. This is not a criticism of our earlier witnesses. As we are seeing additional witnesses from the devolved nations with regards to the NFU, is it possible for our previous witness to submit further written evidence to us, or would he come back? As it is the Agriculture Bill, it is a little out of kilter to have only 24 minutes from the senior policy man at the NFU.

**The Chair:** I am afraid, Mr Hoare, that these sessions are always a bit “beat the clock”, but it is open to Mr Clark to submit further written evidence, and he indicated that he might wish to do so. I am sure the Committee would welcome it if he chose to do so.

#### Examination of witnesses

*Christopher Price and George Dunn gave evidence.*

2.31 pm

**The Chair:** Good afternoon. We are slightly up against the clock, as we have half an hour and there are two of you, whereas there was only one of Mr Clark, and there may well be a Division at three o'clock. For the record, would you introduce yourselves?

**Christopher Price:** I am Christopher Price, and I am director of policy at the Country Land and Business Association.

**George Dunn:** I am George Dunn, and I am chief executive of the Tenant Farmers Association of England and Wales.

**The Chair:** We start on the same basis. Minister, do you wish to open?

**Q43 George Eustice:** We have both landlords and tenants being represented on this panel. One of the key things we want to ensure in the new Bill is that tenant farmers can access these schemes. How do you think that can best be delivered?

**George Dunn:** In relation to the eligibility for tenants to get into the schemes you are envisaging, we have already shared our personal concerns with you, which were that there was no section of this Bill bringing forward the Tenancy Reform Industry Group changes that were agreed last October, and have been extant for a year now. We are particularly concerned to ensure that tenants are not disenfranchised. Often there are provisions within a tenancy agreement that say that you must have agricultural use only of your land, and there may also be requirements to the effect that tenants must seek the consent of landlords for investment in fixed equipment on the holding, which may not always be forthcoming.

We would very much like to see an amendment to the Bill that provides assurance to tenant farmers that they can seek changes to tenancy agreements if they need to in order to get into new schemes. We also want a definition within the Bill that gives a clear view of what constitutes a potential beneficiary. That beneficiary has to be someone in active management of land of which they are in occupation, as well as taking on day-to-day management control of that land.

**The Chair:** Thank you, Mr Dunn. Do you wish to add to that, Mr Price?

**Christopher Price:** I would add to that and contradict some points. The Country Land and Business Association is very much behind the Bill. We have called for a shift to paying public money for public goods for the last 20 years or so. We fully support the core thrust of what the Government are trying to do. Our response to your question follows on from that.

Whoever is delivering the public goods should be the one that gets the money, and if that is the tenant, then so be it; if it is the landlord, then so be it. George Dunn mentioned including the Tenancy Reform Industry Group provisions. I would dispute that these provisions are agreed. They were not. There was still a lot to argue over, and we suggest that if the Government are minded to look at reforming agricultural tenancy legislation in further detail, they should do so through some other mechanism than this Bill. There is some important stuff that needs to be discussed in the context of this Bill, and we would not want time to be restricted, or the big picture to be lost, by talking about what we would regard as ancillary matters of tenancy reform.

**George Eustice:** That is it for now.

**Q44 Dr Drew:** Will the Bill bring forward younger farmers, and if we have that as a central point—given the farming community’s present average age—how could it be further improved to bring forward even more younger farmers?

**George Dunn:** The important thing is to see that this Bill is a scaffold, not a building, so until we see the shape that the Government decides upon for building the building around the scaffold, then it is difficult to tell exactly what will happen. But we are certainly encouraged by the facility within the general framework to have both de-linking and consolidation of payments, which we believe could speed up retirement and restructuring within the sector, to make holdings available to new entrants.

Many of our tenants who let land under farm business tenancies, unlike those who let under the Agricultural Holdings Act 1986 with secure tenancies, would say to us that the basic payment scheme is a cost on their business, because they have to pay that in rent to the owners of the land, whom they want to take the land from. So long as we have a strong arm on the productivity side of this Bill, which focuses on the new entrants and the progression point, we think there is great hope.

**Christopher Price:** I would agree with a lot of that. Inevitably, if we shift away from basic payments to a more market-facing world, it will create some churn within the sector. Older farmers are likely to decide to move on. That is why it is so important that there is sufficient investment in productivity, so that those who want to start on the farming ladder can get the necessary skills, not just farming skills, but business and marketing skills, which are so important in this sector now.

**Q45 Dr Drew:** Will rents decrease? Is that likely to encourage people to take up more land?

**Christopher Price:** I think that rents will go down in the short term. I suspect that, as the productivity improves, and farmers become more efficient and earn more themselves, with the passage of time rents will start to increase a little.

**George Dunn:** It is interesting which rents you are talking about, Dr Drew. The average level of rent paid on a farm business tenancy for arable land, quoted by the Department for Environment, Food and Rural Affairs, is currently £98 per acre. If you look at rents tendered in the marketplace for land which becomes available in a very lumpy and haphazard way, we could have double those rents being tendered in the marketplace. I suspect that we will see a lot of those very high rents coming down as people readjust to the new world. I think that an average of £98 to £100 per acre for arable land is about sensible.

**Q46 Nigel Huddleston (Mid Worcestershire) (Con):** Following on that theme, the issue of diversity in British farming is key, because today we will have had 14 people give evidence and all of them have been middle-aged, white men. The average age of a British farmer is now 59, and only 3% of farmers are under the age of 35. What more can we do to make farming a far more attractive proposition to a younger and more diverse population?

**George Dunn:** I disagree with the premise of your question. I apologise that I am a white, middle-aged male. There is nothing I can do about that. I am here as I am. Regarding the statistics, the average age of a farmer has been 58 or 59 for as long as I can remember, which tells me that we are in somewhat of an equilibrium—that the people joining the industry equate with those who are leaving the industry—because the age is not increasing over time.

I would also say that those who are filling out the forms do not tend to be the ones who are doing the active farming. In the memberships that we both have, we see quite a lot that the younger members of the family do more of the farm work and the older members do the form filling.

We are inundated on show stands and events around the country with people who want to get a start in agriculture. Frankly, we will not be able to give everyone

the opportunity to come in to be a principal in their own right. We are quite keen to encourage people to see farming as an employment opportunity, not just a business opportunity, and I think there is more work that we can do on that front.

**The Chair:** Thank you, Mr Dunn. I must remember that my job is form filling and not activity.

**Christopher Price:** I agree with a lot of what has been said. I think that the way the Bill operates will inevitably result in some churn. People will feel inclined to move on at a faster rate than they have. There is no shortage of people coming out of agricultural colleges at the moment. There is a definite desire among a bigger number of young people than has been the case for a while to go into the sector. As George Dunn said, not all of them will be able to become the traditional owner-occupying yeoman farmer of myth, but I think there will be a lot of other opportunities elsewhere in the sector. Again, a lot of this depends on there being sufficient investment for people to get the skills and to be able to do the jobs that will be required in the new sort of farming.

**Q47 Kerry McCarthy (Bristol East) (Lab):** Can I turn to rents and economics? You said that at the moment a landowner would be charging £98, or whatever the going market rate is, for the land, but they are also getting direct payments on top of that. Is that right, or would that offset the rent payment?

**George Dunn:** No. In a landlord-tenant situation, it is the tenant who will apply for the basic payment scheme—

**Q48 Kerry McCarthy:** Yes, but they may be required to pass it on, and we heard evidence this morning that quite a few have to pass it on—

**George Dunn:** In a number of cases, there is either a direct transfer of a direct payment, from the tenant to a landlord, or the way that the rent is calculated will take into consideration the fact that the tenant is getting direct payment.

**Q49 Kerry McCarthy:** My question was this: if the landowner is not then getting those direct payments indirectly, will it still be economically viable for them to rent out the land for farming, or will we find landowners choosing to go into other areas, for example tourism, quad biking and whatever it is they do? Or will they just require more money from the tenant farmers, but the tenant farmers will not be getting any more money, because they will not be getting the direct payments?

**Christopher Price:** It will be a combination of factors. As already said, we anticipate that rents will go down, at least in the short term, while the industry recalibrates itself. However, most landowners, if not all landowners, are already looking at what other opportunities there may be. Some of that will be to go and see what advantage they can take of the proposed new ELM scheme, see what natural capital they have got and see how they can better—it is a horrible word, but I will use it—exploit it under the new scheme. Others will look at how they can diversify—at whether, for example, the barn can be converted into offices, a wedding venue or what-have-you. People are starting to think in a much more market-facing way than was perhaps the case a few years ago.

**Q50 Kerry McCarthy:** Presumably, if there is less land available for farmers, that will then push up rent prices?

**Christopher Price:** I would suggest that, say, on every farm—this is talking in averages—there is 10% to 15% where the input costs are greater than the value that is got out of the process. There is a lot of land that need not be used for farming and that could be used for nature in particular, provided that there are sufficient incentives in place for people to do so.

**George Dunn:** I also think it is important to appreciate that, in the current economic circumstances, the return on capital that the landlord is getting from a rental payment, even if it is £200 per acre, will only be 2% of the capital value of the land that they are offering to let. The reasons for people owning land and letting it out are simply different to the economic uses they are getting from it. So, it might be because they are looking for development into the long term, or they might be interested in using the reserve rights for minerals, for sporting purposes or for other activities.

Also, the tax system within which land is owned is quite beneficial, in terms of agricultural property relief and the ability to claim other relief. So there are other reasons why landlords will still choose to let land, and we have seen the area of land let in this country remain pretty static for about the past 30 years, at about a third. So I do not suspect that we will see a massive shift from the let market simply because we see rents adjust downwards a little bit.

**Q51 Chris Davies (Brecon and Radnorshire) (Con):** We heard from our previous witness that there is not enough agriculture in the Agriculture Bill. Would you both agree with that and, if so, what would your organisations like to see in this Bill that is not already there?

**Christopher Price:** The headings are there; the issue is very much how those headings are used in practice. There are provisions to reward farmers for many of the public goods they provide, but there could be more explicit commentary on rural vitality and on the importance of preserving rural communities, because often farmers are at the hub of rural communities, particularly in some of the more remote areas of the country.

There are significant powers in the Bill to invest in improving productivity and that sort of issue. The big frustration is that we have had very little from Government about how they intend to exercise those powers. It is all very well saying that farmers have got to adapt to the new world of delivering public goods, but they have also got to become more efficient at farming, and Government have not given any indication at all really as to how the powers they propose giving themselves in the Bill will be exercised. However, if those powers are exercised in the right way, there is the potential to improve things very much for farmers and the agricultural sector more generally.

**George Dunn:** It goes back to what I said previously about this Bill being a scaffold, not a building. The issue for us is that we still need to be convinced that we will see the Government use the powers they are making available for themselves in terms of things such as the supply chain issues. The Groceries Code Action Network has put in some evidence to the Bill Committee—we are a member of it—to say how we can beef up some of that section. We are not convinced that the Government

are as serious as they say they are if the Rural Payments Agency is going to be the body responsible for overseeing this particular bit of the Bill. The RPA is perhaps not best skilled for this type of work in terms of the supply chain issues.

We also need to be convinced that the productivity measures are going to be used to the full effect. Actually, the measures reserved for Wales in the schedules of the Bill appear to be better than the ones reserved for England, so we would ask for the Welsh ones to be transposed into England.

On the marketing standards issue, it is absolutely correct that we want to protect our production standards, but if we do not protect our trading positions so that we reject stuff from abroad that is not produced to the same standards, we will undermine our production at home, too. There is an awful lot of hope in the Bill, but not yet too much trust.

**Q52 Chris Davies:** If a Minister may interpret this set of rules in one way, how concerned are you that, in the devolved nations, there will be different processes going on right around the country?

**Christopher Price:** Perhaps this is one thing that the Bill lacks: the important thing is to have a UK-wide framework that allows four national agricultural policies underneath it, so that everyone is operating to a high-level set of common rules, but each country has the power to go and decide what it thinks best for its own circumstances.

**George Dunn:** Obviously, in a devolved world there is great scope for the four countries of the United Kingdom to take a different view of different aspects of this policy. But, fundamentally, we must remember that we are an economic union of four nations, and we need to preserve that for the benefit of the populations of all four countries of the United Kingdom. That will be the key issue—to ensure that we do not impact the ability to trade with one another in a free and open manner.

**Q53 Mr Goodwill:** Included in clause 7 of the Bill is a provision to allow de-linking of the payments. The example I was given was where a tenant farmer who wishes to retire could take three years' worth of payments, which, together with his live and deadstock sale, would allow him perhaps to clear his overdraft and retire. However, if he hands that tenancy back to the landlord, he is left with land that will not attract any payments for two or three years and the difficulty of attracting another tenant. How would that work in practice?

**George Dunn:** I am not sure there is a problem in what you suggest. It is not just the tenant's ability to roll up the direct payment with the live and deadstock; the landlord themselves may be willing to give a payment for the early surrender of the tenancy, in order to get vacant possession or to offer the tenancy to a new entrant on a farm business tenancy basis, as opposed to an old-style agricultural holding tenancy. There may be some benefits for the landlord.

**Mr Goodwill:** We have already heard that a major element of the rent that is paid relates to the amount of direct payments that the tenant—

**George Dunn:** But we know within the landlord-tenant community that many landlords would like tenants who are operating under the old-style secure tenancies to go,

so that they get vacant possession of the land back. If they offer it on the open market, plenty of people will queue up to take that land, even in the new environment, because to date, lots of those individuals have felt it appropriate to factor the direct payments into the rent that they pay. If they no longer have to do that, the rents will adjust in the new world. We think that the de-linking and consolidation element is a massive benefit to restructuring the industry.

**Christopher Price:** We were concerned about the proposal to de-link, on the basis that it could de-legitimise the payments. If we are saying that the reason why farmers are given quite large amounts of money is to provide public goods, this takes away that justification. If you are going to do it, it has to be for a very good reason. We suspect that, in many cases, the amount of money that will be freed up will not be sufficient to enable the tenant without more to move on—the amounts of money involved will not be sufficient for that. If the landlord is keen for the tenant to move on, the landlord will have to make a significant investment, too. George Dunn is quite correct on that.

At the moment, we know so little about what the Government are thinking behind the de-linking proposals. It is very difficult to predict how it could operate; on top of all the considerations that George Dunn raised, there is also how it will be taxed, for example. There is an awful lot to go and think through when deciding how it could work.

**Q54 Mr Goodwill:** I can understand that a tenant retiring would not necessarily be able to afford to buy a house out of the proceeds, but if he was on the verge of bankruptcy, presumably it would be a very attractive straw to grasp.

**George Dunn:** Again, I disagree with the premise of the question. This is not something to save people from bankruptcy; this is to allow people to make a rational economic decision about their future. At the moment, lots of tenant farmers cannot make a rational economic decision to retire because they do not have a house to go to or another opportunity to take up. We are not saying that this will be the be-all and end-all in that process, but if it adds to a payment that comes from the landlord, or to the live and deadstock at the end of the tenancy, it could be the thing that allows the tenant to make that change.

**The Chair:** Minister, this may have to be the final line of questioning, because the Minister is on his feet in the Chamber and we might find ourselves interrupted.

**Q55 George Eustice:** One of the key premises behind the Bill is that, rather than subsidising farmers because there is a profitability problem in the industry, we should try to correct the causes of that poor profitability through grants and fairness in the supply chain. Can you give us some examples of the types of practices that undermine farmers' position in the supply chain, whether it is hidden charges, hidden clawback costs from abattoirs and unfair contracting by dairy companies—the type of things that you would like to see addressed here and might make a difference to your members?

**George Dunn:** The overarching position is that we already have the Groceries Code Adjudicator, which looks at the direct contracts between suppliers and

retailers. Our concern is that it is not looking below that at the relationships between farmers and first purchasers. The Bill seeks to correct that. We are concerned about the fact that the weight of responsibility on the retailers is not fully shared, because there is nobody looking at the bottom end of the supply chain. We see processors that want to retain their contracts and are willing to take more and more restrictions from retailers or even from food service, and are not pressured enough to get better terms that they can then share with the farmers and those who are supplying them. We want the eyes to be right across the supply chain so everybody acts fairly.

We have seen all sorts of things. If you want a specific example, I was speaking to a lettuce grower who had a contract for a certain number of heads of lettuce at a certain price the day before. He went out to cut them the next day, and then received a call to say that those lettuces were no longer required at the same price and in the same quantity, and yet he had already made the decision to cut.

We want to ensure that there are better and fairer contracts in the supply chain, but this needs to be looked at from farm to table, not in the piecemeal way in which the Bill seeks to do it. It leaves the Groceries Code Adjudicator looking at direct supply chain issues, and it provides another body—it suggests the RPA, which we disagree with—for the other stuff. We think that the adjudicator should have a role over the whole gamut.

**Q56 George Eustice:** On the concern about the RPA, at the moment it is responsible for things such as carcass classification. Although its brand may have been tarnished by trying to implement a very difficult and bureaucratic EU scheme, it has a breadth of knowledge about everything from school milk schemes right the way through to carcass classification. If the GCA were to do it, it would be funded by a levy, which would have to be funded by the industry itself. What is your concern about the RPA specifically?

**George Dunn:** You are right that the RPA runs certain supplier schemes, so we are not saying that it is completely unsighted on this stuff, but it has got no history or skill, in terms of contracts, so how do we see it playing a role within the contract environment? It has got no skill or expertise in looking at how supply chains operate from field to plate. Although it might have had a glimpse of certain aspects of it, we do not think it has got the expertise across the piece.

**Christopher Price:** In addition, the powers that the Secretary of State proposes to give himself under the Bill are really quite strong. I cannot think of many other areas in which a Minister has such powers as the Secretary of State will gain under the Bill. We were pleasantly surprised that the Government proposed taking them. It seems to us that the powers are so significant that it is unreasonable to say that they should be exercised by a non-departmental public body. I would have thought that they are so significant that they are the sort of thing that a Minister ought to be deciding, not someone further down the hierarchy.

**Q57 Deidre Brock:** We could talk about that for a long time—that is very interesting. You mentioned the drop in rents. Does that imply that you expect a big drop in rural land values?

**George Dunn:** No.

**Christopher Price:** No. A couple of per cent.

**George Dunn:** For the reasons that I stated earlier, the return on capital is only 2% from agriculture anyway, so there are other things driving the capital value of land.

**Christopher Price:** If you compare changes in the CAP with changes in land values over the last 30-odd years, there is very little correlation, which you would expect there to be. Also, the European Commission has done two reports on this topic in the last 15 years and both said it was impossible to show any direct link between the two.

**The Chair:** Thank you, Mr Price and Mr Dunn. I am sorry to bring this to a slightly early conclusion, but I am reliably informed that the Division Bell will ring fairly shortly. We will bring in the next witness and at least get him installed.

### Examination of Witness

*Jason Feeney gave evidence.*

2.56 pm

**The Chair:** Good afternoon. For the benefit of the record, I would be grateful if you would introduce yourself.

**Jason Feeney:** My name is Jason Feeney and I am chief executive of the Food Standards Agency.

**The Chair:** Mr Feeney, let us ring the changes and ask the Front Bench Spokesman for the Opposition if he would like to set the ball rolling.

**Q58 Dr Drew:** What is the role of the Food Standards Agency in relation to the Bill? It is not at all clear.

**Jason Feeney:** It is not a Bill that strays into our remit significantly. We have not been closely involved in its formulation, but clearly there are areas, for example, such as capturing some of the information at slaughterhouses, which we would need to be aware of and we will be working alongside.

**Dr Drew:** Should you be more involved in it? If we are going to improve British farming, it is all going to be about quality. You measure quality in the abattoirs and in some of the other things you do. You are there as the guardians of the public duty. Should you have been more involved as an agency in this Bill?

**Jason Feeney:** We focus our attention not so much on the quality argument but on the hygiene and safety perspective. If we take the example that you mentioned about slaughterhouses and abattoirs, our primary purpose through the work of the meat hygiene inspectors and the official veterinarians is two-fold. One is the hygiene and safety of the production and the welfare of animals up to and including the point of slaughter. The quality focus tends to be more of a business arrangement, in that example, between the slaughterhouses and the customers that they are supplying.

**Q59 Dr Drew:** Is the Food Standards Agency misnamed? The word “standards” tends to suggest quality.

**Jason Feeney:** Yes, we get involved with some aspects of definitions of standards. It varies depending on the nature of the food product.

**Q60 George Eustice:** This is obviously an Agriculture Bill and its primary focus is around schemes to replace the common agricultural policy. Can you confirm whether there are any clauses that you feel undermine your independent ability to do the independent job you have to do? Can you explain the other pieces of legislation from which you draw your authority to implement food standards independently?

**Jason Feeney:** There is nothing in the Bill that we feel impinges on our independence. Committee members may not be aware we are an independent Government Department, non-ministerial and directly accountable to Parliament. We do our parliamentary work either directly, like this, or through Health Ministers. There is nothing in the Bill that causes us to have any concerns. There are elements that we think are positive and helpful. As you know, Minister, we are very strong around the openness and transparency with which we conduct our business. Our board meetings are held in public. All the papers are published and they are transmitted live on the internet. The collection and more open aspects of data, and the sharing of data, to help to improve standards, quality and safety are things that we are very supportive of.

On the other part of your question, we were set up in the late Nineties in response to the BSE crisis. The Food Safety Act 1990 gives us our primary remit, role and authority.

**Q61 Tonia Antoniazzi (Gower) (Lab):** Does the Bill fail to legislate to ensure that food imported into the UK post-Brexit is produced to the equivalent standards? Will the Food Standards Agency ensure that that happens?

**Jason Feeney:** In a post-exit world, it is helpful to think about food imports in three different categories. First, there is the food that we import from third countries—non-EU countries. For those high-risk products, which are mostly products of animal origin, but are also certain defined products not of animal origin, we are pre-notified of their arrival and an inspection regime applies. That is EU-driven, and post-exit we will continue, at the point at which we leave—

**The Chair:** Order. I am sorry Mr Feeney, but I have to suspend the sitting. The expectation is that there will be two votes. If there are, we will resume at 3.25 pm. If there is only one, we will resume at 3.15 pm.

3 pm

*Sitting suspended for Divisions in the House.*

3.25 pm

*On resuming—*

**The Chair:** We were sort of in the middle of a response to Ms Antoniazzi. I am not sure whether you got the answer you required or whether you would like to pick the question up again.

**Tonia Antoniazzi:** Do you want me ask it again? I cannot remember.

**The Chair:** You cannot remember—that is a good start.

**Jason Feeney:** In terms of timing, I can give a shorter answer or a medium-length answer. Which would you prefer?

**Tonia Antoniazzi:** A precise answer.

**The Chair:** I think the answer is: answer.

**Jason Feeney:** If we have a transition period when we leave, our expectation is that the same standards will continue to apply and we will mirror those arrangements with the European Union for the length of the transition period. If we leave the European Union without a deal, the withdrawal Act in essence rolls existing EU regulations into UK legislation, so the standards will be the same on day one whether we leave the European Union with a transition period or with no deal. If there were any changes to those standards, clearly those would be made on the basis of science and evidence, and we would put our recommendations and advice to Ministers accordingly.

**Q62 Tonia Antoniazzi:** What impact would that have on the devolved nations?

**Jason Feeney:** I cover England, Wales and Northern Ireland—the Food Standards Agency covers three of the four countries, and obviously we have a close working relationship with colleagues in Food Standards Scotland. Indeed, we spent two days up there last week working with colleagues from Food Standards Scotland. Food safety is a devolved issue. We are developing arrangements whereby the science and evidence is considered by what we call a regulatory forum, in which all four countries are represented and, as far as possible, we come to a four-country conclusion. All the evidence shows that that is what consumers would prefer, and that is what industry would prefer as well, obviously.

**Q63 Simon Hoare:** What opportunity, if any, does the Bill present to your agency to support the development of more small abattoirs?

**Jason Feeney:** The agency's charging regime operates a sliding scale of discount. That is the area where we have most impact on small abattoirs. The charges are based on hourly usage of meat hygiene inspectors or official veterinarians. We have a sliding scale of discount where the smaller abattoirs are discounted by up to 80%. I do not think there is anything specific in the Bill that would impact on that particular area, but that is our main interaction with small abattoirs and that is the area that we are continuing to work on with stakeholders.

**Q64 Simon Hoare:** If there is a drive for more farmers' co-operatives and a greater focus on, say, regional, bespoke agricultural support to reflect agricultural practices and types—or if that is a by-product of the Bill—that should present an opportunity for the agency to have the dynamic to think in a more creative way about how it could support the growth of food of local provenance and its movement from field to plate in a local setting, adding value to a product of which we are seeking to maintain our production levels and volumes. Would you relish the opportunity to help proactively to facilitate that from the regulatory side?

**Jason Feeney:** Certainly. We know from our research that consumers are particularly interested in that area, so there is a market opportunity there and we are there to ensure the safety and the provenance. When we use our strapline of “Food We Can Trust”, it is not just a safety issue; it is about authenticity as well.

**The Chair:** Thank you both for coming to give evidence and for bearing with us during the Division. I apologise for having to detain you. The Committee is very grateful to you indeed.

## Examination of Witnesses

*Dr Nick Fenwick, John Davies and Huw Thomas gave evidence.*

3.30 pm

**The Chair:** We shall now hear oral evidence from the National Farmers Union Cymru and the Farmers' Union of Wales. We have until 5 o'clock, although we might not take that long. Gentlemen, starting with Dr Fenwick, will you introduce yourselves for the record?

**Dr Fenwick:** I work for the Farmers' Union of Wales. I am head of agricultural policy.

**John Davies:** I am president of NFU Cymru and a beef and sheep farmer.

**Huw Thomas:** I am NFU Cymru political adviser based in Builth Wells.

**The Chair:** Thank you for joining us.

**Q65 Dr Drew:** Schedule 3 is substantially different from other parts of the Bill relating to England. How do you think the Welsh Assembly did it and what hints can you give us in England to strengthen some of the different issues that we think need to be strengthened in the Bill?

**Dr Fenwick:** First, I apologise for the fact that I have not spent days reading the Bill. We have our own pertinent issues going on in Wales, so we are very much catching up with the Bill. There are obvious areas where there are differences such as WTO, which might give rise to some concerns. It is certainly a concern for Scotland, and an understandable one. When it comes to what is going on in Wales at the moment, one of our key concerns relates to the similarities between the area in relation to farm support and the transition to public goods payments, which is effectively a cut-and-paste of what is in the same relevant English section. That cut-and-paste from the Bill has happened while Wales is still in the middle of a consultation process about the future of our own payments system, and yet it has been published in the Bill with the approval of the Welsh Government. I apologise for not being completely fluent as far as the detailed parts of the Bill are concerned.

**John Davies:** There are some key changes and key differences in the English part of the Bill. We are part of a supply chain that employs nearly 20% of people in Wales. Food and farming is a £7 billion industry. It is absolutely vital that those supply chains are efficient and work well, so we support this part and are pleased to have it. Far be it from me to try to influence or advise you on English policy, but we are pleased to see this part in the Welsh part.

**Huw Thomas:** Dr Drew asked how the Welsh Government achieved this. We have been told that they worked closely with DEFRA throughout the summer on the provisions with respect to Wales. I think the differences between England and Wales are fairly modest. The biggest or perhaps the most apparent is the one on page 30 of the Bill, which gives Welsh Ministers financial assistance in connection with some designated purposes such as supporting businesses or communities in rural areas. That is one that some of my colleagues in England have looked at with a little envy, perhaps, but the differences are fairly modest. Because the powers are

broadly drafted, it will fall to how the Welsh Government choose to utilise those powers following the consultation that is currently taking place.

**Q66 Dr Drew:** Are you expecting the same payment arrangements? Whatever Administration is in power in Wales, you would expect them to keep to the agreement that the money is secure, certainly for this Parliament and, one presumes, for the seven years after that.

**Dr Fenwick:** It certainly appears to be the case that there will be great similarities in what happens in England and Wales under current proposals. They will stand in stark contrast to what is going on regarding our main competitors in other countries and Scotland.

**Q67 Dr Drew:** Does that worry you?

**Dr Fenwick:** Hugely. They are untried, untested and un-modelled. We have not had an impact assessment. From a legal point of view, I have grave concerns that they may contravene WTO rules. It was concerning to hear our own Cabinet Secretary—last week, I believe—read her response to a written question from the shadow agricultural spokesman for the Conservatives, Andrew R. T. Davies, in which she said that it was not appropriate to inquire whether what was being proposed is legal or not for the World Trade Organisation. That is a grave concern and we are well aware of the sort of problems that can crop up when it comes to the WTO. It is going on with regards to the USA, China and Europe at the moment, including with regard to agricultural goods.

**Q68 George Eustice:** As a point of clarity, agriculture policy is devolved, so perhaps I can clear up the mystery as to how the Welsh Government did it. They simply asked us to include a schedule in the Bill. Northern Ireland did the same and Scotland was the only part of the UK not to. There was no lobbying exercise or debate. It was a request that was duly accommodated.

I want to probe this point about the WTO. What is it in particular that concerns you? We obviously have an amber box allocation in which we could do market-distorting support if we wanted to, and it is largely accepted that the proposals would be green box. Just explain your concern about the WTO.

**Dr Fenwick:** Specifically, annex 2 of the agreement on agriculture sets out strict rules in relation to “Payments under environmental programmes”, which prohibit payments that are over and above costs incurred and income forgone. That is an explicit disallowance of such payments, superficially at least. I am not a barrister or a lawyer, but it certainly seems fairly black and white. That is a grave concern given that we have asked for clarification and have not received it as explicitly as we might have liked.

I do not want to imply that it is not legal, but there is an ambiguity around it—payment for public goods is effectively environmental payments, which is what annex 2, paragraph 12 of the agreement on agriculture deals with. It raises concerns that, even if it was legal, it could be used as a vehicle for other countries spuriously to raise barriers to trade and so on. That could trigger a lengthy dispute that goes on for years and has adverse impacts on us. We know from experience that countries tend to use such tools where they become available.

**John Davies:** A major part of the support for public goods is dependent on moving in that direction in terms of the boxes. That has never been done by any other

country before and we are obviously concerned. We need to see some proof that that has been properly researched and is achievable.

**Huw Thomas:** I do not have anything to add to that.

**Q69 George Eustice:** Just a second point on the issue of fairness in the supply chain. Obviously the premise behind the Bill, which the Welsh Government seem to have also adopted through the schedule, is that we should, in the long term, have the objective to move away from an arbitrary, area-based subsidy payment and instead correct the causes of low profitability in farming by strengthening our position in the supply chain. Could you give us your thoughts on that section of the Bill?

**John Davies:** Obviously we are very keen to see a functioning marketplace. We are keen to see it moved in an orderly fashion. Dr Fenwick referred to our main competitors. Obviously, Europe is a fairly major competitor. It will reserve at least 70% of its budget into direct payments. We are keen to maintain some form of direct payments in Wales because that will allow us to invest in the environment and give us the confidence to invest in productivity and resilience schemes.

We need a balance and to have the opportunity in what is a very changeable marketplace at the present time. We have a great deal of uncertainty and believe there is a need for stability. When we have a functioning marketplace that pays a fair price for what we produce, we are very keen to take advantage of it but, at present, we are some distance from that.

**Dr Fenwick:** Anything that improves the supply chain has to be welcomed and there are certainly elements of the Bill, from that point of view, that we absolutely welcome, including issues such as farmers working in co-operation. That is a separate issue to the issue of support, which is a grave concern given that a shift even over what superficially appears to be a lengthy period of seven years could effectively just slow down something that has a huge adverse impact, not just for farmers but for those who rely on farms.

Average incomes over the last five or six years for Welsh farms would be maybe £24,000, and yet those farms have turnovers of around £80,000 or £90,000. That money is effectively going out to local businesses that are not themselves farmers but which are reliant on the agriculture supply chain. We have said for the past two years that any such radical changes to agricultural policy should be investigated thoroughly in terms of their impact on the wider, broader and longer supply chains. We live in areas where up to 28% of the working population is employed in agriculture. That is not the number of people who are farmers; that is the number of people employed in agriculture. Any disruption could have a catastrophic impact, which is why we have argued for that impact assessment to take place.

**Huw Thomas:** I do not have much to add to that other than to offer the comment that it is suggested that the Rural Payments Agency could be the agency overseeing the fairness in the supply chain issue. I am not sure whether NFU Cymru are sure that the RPA might be the best placed agency to do that. I also make the point that the existing principles around exempting producer organisations from competition law need to be rolled forward as well.

**Q70 Kerry McCarthy:** May I ask about uplands farming and the economic viability regarding the future? I know people have expressed concern about support being withdrawn.

**John Davies:** It is very important that we recognise the impact on our community, culture and language, because that is something that is very special to upland Wales and all of Wales. That is something that is particularly precious and one of the benefits of a thriving agriculture that can sometimes feel overlooked.

**Dr Fenwick:** We are concerned that what is proposed would have an adverse impact on all communities depending on their nature and the sector where they are primarily operating. Also, it is a great concern that most upland farms are not the big expansive areas of heathland and common land and moorland that people imagine them to be. Most Welsh upland farms—that is probably about 60% or 70% of Welsh farms—are self-contained units of simply fields. There is a grave concern that a movement to the public goods-type payment would have a huge adverse impact on the farms that cannot cash in on the carbon and the easy wins that you see for some farms that are right up in the mountains. Most hill farms and mountain farms are not the stereotypical type of farm. They are family farms of maybe 100 hectares or so, comprising mainly fields.

**John Davies:** We have some concerns around the tenanted sector too. Roughly 30% of Wales is in the tenanted sector. Would they be bypassed by the opportunity of public goods? That was highlighted in an earlier answer. We would be deeply concerned about that because young people need support and we would not like to see that taken away from our communities and possibly to other parts of the country or to trust funds or whatever.

**Q71 Kerry McCarthy:** Changing tack completely, in terms of the trade deal scenario, Welsh lamb is a pretty important product. We have heard noises from Australia and New Zealand in particular about what they would like to see from a future trade deal. I know it is not specifically in the Bill, but is there anything we can do to protect it—the Bill goes to the heart of protecting standards and not allowing imports in. What impact do you think that would have?

**John Davies:** I think it is broader than lamb, to be honest. It is about not allowing products that have been produced to completely different standards to those that are allowable here. We respect those standards. Obviously, we do not want to start producing hormone treated beef or chlorinated chicken or any of those things. It is really important that the Bill is robust in that way and does not allow that opportunity to be changed.

**Huw Thomas:** In that regard, the Bill may have missed something. This could have been the vehicle for making a statement about those standards and insisting that imports are produced to the same standards as our domestic products going forward.

**Q72 Kerry McCarthy:** Something like a non-regression clause in future trade deals?

**Dr Fenwick:** With trade, you have the potential of a double whammy in terms of losing access to EU markets due to the height of the barriers that may come into place plus the potential for more imports of cheap produce. Given such uncertainty—there are dangers for

the sheep industry in particular, but also for other industries—we firmly believe that now is absolutely the wrong time to add uncertainty by implementing the biggest changes to the underlying principles of rural payments since the Agriculture Act 1947.

**Q73 Kerry McCarthy:** One last question. A story broke today about 300 cases of salmonella poisoning in lamb products and the Food Standards Agency warning people to cook their meat more. I did not get a chance to ask the Food Standards Agency witness, but do you think we are doing enough to enforce food safety standards in this country at the moment? One of the concerns that has been expressed about the Bill is that there is no regulatory baseline and there might not be enough enforcement and monitoring. How do you reward people going a bit further, if you are not monitoring whether people are actually adhering to the legal standards?

**John Davies:** Honestly, I am not the best person to answer that, but I think that consumers take safety as a given. Obviously, we have a great deal of confidence in the Food Standards Agency. Many changes have been made over the last 20 years. I started farming in 1986, which was a major period of change. We are subject to some of the most strict rules and regulations.

**Q74 Kerry McCarthy:** The number of cases has risen significantly, which is why it has been reported. Do you have a feeling as to why that is?

**Dr Fenwick:** No, but the detection, containment and restrictions on most farms are testament to the fact that we have a very good system of detecting problems and clamping down on them when they do occur. Going back to your initial question, the concern would be if we opened the floodgates to places where their standards fall well below those that are a legal requirement here, then we open the floodgates to far worse problems than we would ever see in the UK.

**Q75 Colin Clark:** I am a little bit concerned. We share similar issues in Scotland, where we have a lot of upland farms. If tree planting was too generous, we could lose a lot of upland farms. Also, the measurement of carbon sequestration for grassland and the sheep eating it is a very different thing to measure compared with trees. Are you worried that if the policy is too generous, we could lose land to trees and never get it back? What would you like to see in the Bill? Is there some sort of balancing priority that gives equal status in your mind to food and farming?

**Dr Fenwick:** I referred earlier to the biggest changes since the Agriculture Act 1947. Those changes are the fact that we are moving away from what we currently have, which is an active farmer rule. Notwithstanding all the different changes that have happened since we went into the EU and moved away from the Agriculture Act and had various different CAP reforms, we have still ended up with an active farmer rule that is underpinned by the principles that were originally in the 1947 Act, were later incorporated into the treaty of Rome and are now in the Lisbon treaty. Those principles are about ensuring that active farmers receive the bulk of payments, which can then be distributed through rural supply chains and more widely.

We are moving from that system to what the Welsh consultation calls an “open to all” approach, under which someone who lives in London and fancies buying a bit of land in Wales to plant trees can claim money for

doing so, while making no contribution to the local economy, the local schools or the local community. We saw the same thing happen in a different way, which we hope will not be repeated, when vast areas of Wales were bought up by private forestry back in the '70s. We also saw it when entire communities, including schools, chapels and hundreds of farms, had their land planted up by the Forestry Commission. That is an acute concern.

Europe is tightening up its active farmer criteria to prevent people outside the industry from accessing money, because it recognises the key part that farms play in distributing money in rural economies. I am afraid to say that it looks as if we are moving in exactly the opposite direction.

**John Davies:** It is a very fair question. A simple, one-dimensional answer is that, yes, planting trees can mitigate the carbon challenges, but I think we need to be seen as part of the solution. There are many things we can do to improve our carbon footprint, and we are up for engaging with that challenge. In the past year or so, at home we have planted 10,000 trees in corridors for protecting hedges and the like, and it has worked really well.

I farm in partnership with the environment. It is an indivisible part of my business, so it is not a binary choice. My wish, my desire and my *raison d'être* is to hand on my business in a healthier state than I received it. That is no criticism of past generations; it is just the challenge that we face. We have the opportunity to be carbon free by 2050. We need to ensure that all of those mitigation choices are utilised, rather than taking simple, one-dimensional options.

**Q76 Colin Clark:** Do you feel that food and farming have the right balance in the Bill? Is that what you are concerned about?

**John Davies:** We need more balance. We need more recognition of the challenges we face, and we need carbon mitigation to be given more of an opportunity.

**The Chair:** Have you anything to add, Mr Thomas?

**Huw Thomas:** No.

**Q77 Dr Drew:** We know about the differences between Ulster and the Republic, but there are places where farmers farm on both sides of the English-Welsh border. If there is a different system, what problems could that present?

**Huw Thomas:** I do not think that those problems have to be insurmountably difficult. We have different regimes for TB cattle controls, which can sometimes cause problems. There are cross-border holdings, but the England-Wales border is pretty well integrated in terms of farms, especially compared with the Scotland-England border. We have had different arrangements, which does cause problems from time to time—farmers on the border often face a delay in receiving their payments—but if the Governments of England and Wales work together more closely, I think a solution can be found. It does not have to be a problem; it just requires the political will to work closely together.

**Dr Fenwick:** As Huw pointed out, we already have different systems—very different, in many respects. That has been the case since 2005. What we see as the prime problem is not the difference between the systems, but—I

am afraid to say—the implementation of the system on the English side. Our members who have land in England invariably face delayed payments because of delays in the Rural Payments Agency sending data to the Welsh payment agency.

**Q78 Deidre Brock:** The CAP payments operate to a seven-year cycle. Could you share your thoughts on the suggestion that future payments might be tied to the Westminster budgetary cycle? If farmers are lucky, that might be three to five years, but the Government might change and the money flow might stall as a result. Can you tell us about your concerns on that issue and set out your thoughts on what sort of mechanism might be used to resolve it?

**John Davies:** Obviously, we need a long-term, multi-annual framework to deliver support, because farming is not a short-term business. For instance, sheep that are going to the tup now will be sold in a post-Brexit marketplace. That is very short-term. We plan in generations, not years, so the longer it can be and the more robust model we can have to allow that would be useful. We are not entirely clear on any solution, because we recognise that future Governments are not bound by the previous Government, but that is a real issue for farm support going forward, because it is a long-term business.

**Dr Fenwick:** I agree. We have been dealing with multi-annual EU budgets for a very long time and they tally far better with farming calendars. The risks that having fluctuations on an annual basis would bring would be huge.

**Q79 Chris Davies:** First, may I declare that Mr Davies is a constituent of mine and that the Bwlth Wells office of NFU Cymru is based in my constituency?

If I may, Mr Thomas and Dr Fenwick, I will just pick you up by saying that there are not that many cross-border issues. Given that Brecon and Radnorshire share 65 miles of Offa's Dyke, there is a lot of cross-border and I hear of great difficulties that arise on both sides of the border, with both systems, so I would not necessarily say that it is all one way.

**Dr Fenwick:** I am afraid to say that, on an annual basis, in terms of the payments, it is routinely the RPA that fails to provide data to the Welsh payment agency and that causes delay. Wales has an exemplary record when it comes to payments. It releases about 95% of payments on 1 December annually. I think we are the best in the UK, maybe apart from Northern Ireland, so I am afraid to say that that is not our experience. Many of those 600 cross-border farmers are members of ours and they are the ones who phone me when they do not receive payment, and they are struggling.

**Chris Davies:** We will agree to differ on that one.

**Huw Thomas:** There is an issue with cross-border farms but what I was saying was that such issues are not insurmountable with a political will to get over them. Yes, there are farmers—hundreds of farmers—on the border who suffer every year from delayed payments, simply because they have one foot in England and one foot in Wales, but given the political will, I think these problems could be solved. As Nick has said, the Welsh Government have a good record when it comes to paying promptly and on time. Often the problems will lie with transferring the data from the English side.

**Q80 Chris Davies:** Were the unions pleased or disappointed that the Welsh Government aligned themselves with this Bill?

**Huw Thomas:** The Welsh consultation came out in early July and then the Bill came out in mid-September, so their publication was not synchronised. However, it is quite obvious that they are different sides of the same coin. Obviously, a consultation is predicated on a piece of legislation that has been put through the UK Parliament, as can be done. The Welsh Government have expressed a desire to provide specifically Welsh legislation in due course for a Welsh agricultural Bill, so they may well revisit some of these provisions.

What we were anxious to see was some certainty and continuity at quite a volatile and unstable time. In that regard, at least we have a starting point for a discussion around what shape future agricultural policy should take in Wales, and we are starting from the fact that we have a lot of concerns about some of the content.

**Q81 Chris Davies:** A very good political answer, Mr Thomas, but was the union pleased or disappointed that the Welsh Government aligned themselves with Westminster?

**Huw Thomas:** I do not think we took a view. I do not think we had a member discussion about how people felt about that. There was a lot of anticipation—this consultation was long anticipated. We have done an extensive member engagement exercise over the last few months. We are coming to the end of that process and we will be putting in a comprehensive response to the consultation.

**The Chair:** Mr Davies, feel free to respond to your constituency MP.

**John Davies:** Thank you, Sir Roger. Perhaps I can have slightly more freedom, being president. I regularly sit round a table with the presidents of Ulster, Scotland and England. In Wales we are very keen to see the best policy being copied or used, whichever country it comes from. We need to ensure that that fits the bill for the needs of Wales, which are unique and rather special. We need a bit of flex within a UK framework.

**Dr Fenwick:** It is important for me to say that we were extremely disappointed. As has been made clear, we are opposed to what is proposed in England and Wales. It is untried and untested, and there are big questions about its economic viability and impacts, so naturally, it was a grave concern. The Minister is aware of our concerns; we have discussed them on many occasions. We had hoped that Wales would do what it has done in the past, which is to undertake detailed modelling and work out what is best for our rural economies, rather than simply follow England's lead.

**Q82 Jenny Chapman (Darlington) (Lab):** Another way of asking the same question is: how would you have felt if the Welsh Government had declined to take part and had not asked for a schedule to be included in the Bill? How do you think that would that have gone down?

**Huw Thomas:** That is the position that Scotland finds itself in. It is a difficult position, because it does not have anything to consult on, to discuss with its members or to try to formulate a policy from. It is a bit invidious, I suppose. It is quite aligned with DEFRA. We have our reservations about what is proposed, but we need to move forward somehow.

I hope that the consultation that the Welsh Government are undertaking is a genuine consultation where all options will be on the table and where they will be prepared to listen, because our members are concerned about several things contained in the document. We are working closely with our members and gathering a view on it.

**Q83 Simon Hoare:** We heard from an earlier witness that 40% of UK lamb is exported to the continent, but we also heard that domestic consumption of lamb is reducing. I should declare an interest: I am a Welshman. After north Dorset lamb, I think that Welsh lamb is the second-best available to consumers—I want to ensure that that is on the record.

What opportunity, if any, do you think the Bill presents in terms of its ambition to support food production and to allow farmers to come together to better promote their produce in a more patriotic way, free of the EU guidelines that have often acted as a dampener on the patriotic promotion of provenance? What scope is there in the Bill and in the envisaged regime for supporting innovation and productivity?

**John Davies:** You are right to pick up on product innovation, which has been sadly lacking in the lamb sector, because they consider it easier to add cost than value in those things. That is something that we have to adapt to with the modern consumer, because we are seeing year-on-year reductions. We accept that challenge and we need to move forward with it. There are some good things in the Bill about producer organisations. Obviously, we would like to see a stronger focus on product development and innovation and how we can support that.

**Dr Fenwick:** I agree entirely. Those elements of the Bill have to be welcomed, and we certainly do welcome them. The trouble is that, while that is happening, there is a risk that another Department or another part of Government is opening the floodgates to cheap imports. Effectively, there are elements of the Bill that tighten up our own production standards and so on, but meanwhile we are opening the door to cheap imports. It is fine for the middle classes who decide to buy their organic burgers or whatever they buy, but I am afraid that most consumers shop in less salubrious supermarkets. They buy quality food because we are in the EU, but once we have trade deals with other countries, there is a big question mark in terms of the cost of production in other countries and the degree to which, for the bulk of food, it could undermine our market.

**Q84 Simon Hoare:** Quite a lot of Wales is covered by a national park designation, so we have the national park, the Welsh Assembly and Westminster and the Department for Environment, Food and Rural Affairs. Do you see the national parks as being a useful string to the bow in terms of fostering and supporting agriculture, or are they a potential irritant? *[Interruption.]* I can tell by the whispering that I have hit a chord.

**Dr Fenwick:** I was asking Mr Davies whether he farms in the national park—I could not remember.

**John Davies:** I am adjoined with the military base, so we are just outside it. I think there is a need for best practice, which is in place in some national parks, to be replicated throughout Wales, because they must be a support for the communities in which they are based rather than a hindrance. There is a real need to get policy aligned

throughout Wales and considerable improvement could be made in some of the national parks. I will not comment much further than that.

**Q85 George Eustice:** I want to ask specifically about the Bill and the difference between the schedule for Wales and the main Bill, which, when you boil it down, is paragraphs 1(2)(a) and 1(2)(c) of schedule 3. I do not need anyone to look it up—I can explain where it is. Broadly speaking, all that does is give Wales the power to support businesses or communities in rural areas and also to support persons involved in anything from the processing, marketing, or distribution of products derived from agricultural activity. Coming back to Dr Fenwick's point, are you pleased with these additions or not? You talked about the importance of an active farmer test and making sure that the money goes to farmers, but the additional measures in the Welsh schedule open up the possibility to give money to post offices or any other type of rural community business. Do you support that or not?

**Dr Fenwick:** If that is the case, that is welcome. Those pieces that effectively reflect the English text appear to be, as John described it, one-dimensional in terms of facilitating a movement from the current system to a payment for public goods system. That is the main focus of the Welsh proposals that are currently being consulted on and, indeed, the English proposals that are now in the Bill. Obviously, we have concerns about that, because effectively it is revolution as opposed to evolution. It is not an evolution if it is a transition to something that is, effectively, revolutionary and has never been done before. As I say, I am not a barrister or a lawyer, but there are big questions about how much that ties the Welsh Government down, if they were to decide to take a different course and perhaps reflect what is happening at an EU level or what is happening in Scotland or Northern Ireland.

**Q86 George Eustice:** Have the Welsh Government given you an indication of how they intend to use those additional powers? It could mean giving direct payments to farmers, or giving grants and money to people who make jam or cider or other novelty food process products.

**Dr Fenwick:** In fairness to the Welsh Government, their focus is quite rightly on their consultation at the moment. That is the best indication we have of what they would like to do in Wales, which has an element of that type of direct support for businesses or economic resilience, as they call it. Clearly, the main focus is on moving away from support for farmers to a payment for public goods. On that issue I would highlight a major concern that we have, which is that Wales currently has a cap on its payments. As a union, we have supported capping agricultural payments since 2007, since the CAP Health Check.

At the moment it does not appear that capping is going to feature in England or Wales as regards public goods payments, whereas on the continent in the EU they are looking at bringing in lower caps to try and push money down to family farms. Our concern is that not having capping will move money away from family farms to private individuals, large companies, charities and so on, with no cap on how much money those businesses or charities—or whatever they are—can receive. We believe that it is absolutely the wrong direction of travel.

**Q87 George Eustice:** It is an interesting point. The additions in the Welsh schedule could be read both ways. If you are worried about an active farmer test, then arguably you would not want that.

**Huw Thomas:** They can be. The powers throughout the Bill are pretty broad, enabling powers. There is always an element of risk with such powers as to how they are utilised by Ministers. A lot of policy discretions are conferred upon Ministers, including financial discretions. The devil will be in the detail, as always, but there is not much detail in the Bill. It has to be read in conjunction with the consultation and the further policy statements from the Welsh Government next year, as well as the direction of travel they are wishing to take. It is difficult to say at the moment, but I do take your point.

**Q88 Ben Lake (Ceredigion) (PC):** I have two questions, if I may. You have already mentioned the powers granted in the Bill to UK Ministers. Do you have any thoughts about the impacts that some of these powers might have on Welsh Government, and their ability to formulate agricultural policy? Are there any aspects that you welcome? Are there any aspects about which you have concerns?

**Huw Thomas:** I think the part 7 clause 26 powers around the WTO, for example, could be concerning, because potentially they will artificially constrain the type and level of support that a devolved Administration might be able to pay because of considerations around the WTO. That may be one issue where there is potentially something that risks becoming contestable or contested in the future between the UK and the devolved Administrations.

**John Davies:** Obviously a UK framework is vital, not by imposition but by agreement. We need to get to the dispute resolution part of that, and clearly work out how those issues might be resolved. At the present time there is not that much clarity.

**Huw Thomas:** It is a proposal to take powers into the centre. It is not the common consent common framework that we, as NFU Cymru, always envisaged and espoused. We always said that we recognised the need for common frameworks, and that limits needed to be set on certain things, but they need to be decided by common consent, not imposed from the centre. With respect to the WTO provisions in part 7, the UK Government and the devolved Governments need to get together and agree between them, rather than having this quite heavy-handed approach that involves proposing to take these powers into the centre, and accepting the Secretary of State for DEFRA as the ultimate arbiter of who gets to do what.

**The Chair:** Dr Fenwick, *Hansard* cannot record nodding, but I take it you are agreeing.

**Dr Fenwick:** I have nothing to add; I agree entirely.

**Q89 Ben Lake:** In that sense, are you surprised that there is not more in the Bill? Is there something that you would have liked to accompany the Bill in terms of progress made on these common frameworks and how they might be agreed upon in future? What strikes me is that not only will you have the initial discussion about how the original of the first new frameworks will operate, but there will inevitably be a need for these things to be renegotiated at a future date. Is it something that you would have liked to have seen?

**Huw Thomas:** I think there was an expectation that there may be more in the Bill about common frameworks and how they might work. There was agreement in the spring around 24 identified areas that would require some sort of common framework, whether a statutory common framework or a memorandum of understanding between Governments.

I do not feel that we have moved forward enormously from that point. We need to get these things in place if we are to preserve the integrity of the UK single market and ensure that we are not distorting between the home nations. I was perhaps a little bit surprised that there was not provision. We perhaps had not moved forward a little bit from the position in the spring around the 24 identified areas.

**Dr Fenwick:** I agree entirely. We absolutely need those mechanisms and systems to arbitrate, to work out what is right and wrong. That is something that we have argued for the past two years. We certainly welcomed the announcement in recent weeks that there will be a review of how money is allocated between the devolved nations, and that is absolutely needed. It is a contentious issue—there is no denying that—but it had to be addressed.

We also need almost a parallel process to look at how countries agree on frameworks—whether it is through memorandums of understanding, rather than nations feeling or knowing that things are being imposed on them, against the spirit of devolution.

**Q90 Ben Lake:** The Minister might remember my raising this question last week. Recently, a review was announced into the way in which payments will be allocated across the four countries of the United Kingdom. Would it be fair for that to include an element that looks at the future frameworks and how any disputes are arbitrated, and when reallocations come along in several years' time, how they then come to be decided as well?

**Dr Fenwick:** It may be opportune to extend the remit of that Committee. We always hope it goes the way that we would like it to go. It certainly needs looking into because we worked for so many years with a council of Ministers. We now have a void, a vacuum, where there is potentially a free-for-all, and countries or nations could move in very different directions and cause market distortions internally, without anything to do with WTO. There could be internal market distortions that are not in anyone's interest.

**Q91 Trudy Harrison:** I represent a Cumbrian constituency that is made up of English Lake district upland farms and coastal lowland farms. My sheep, beef and dairy farmers inform me that they receive about £70 for a lamb, £50 for a sheep and just 90p for wool per head and 29p for a litre of milk. Is that enough? What assessment has been made of what a fair price is? Does the Bill enable farmers, through innovation, through the reduction of supply chain, through enabling better local markets, to receive a fair price for their public goods?

**John Davies:** There could be more in the Bill in terms of how we get a fairer share of the retail price, because we are at some historical lows, once again. Milk is slightly better than what it has been, but we are close to breaking even in nearly all of those commodities.

We need to take responsibility as well, mind, to become more efficient. The biggest factor is within my own farm gate; we do not shirk that responsibility, but

we need to find ways in the Bill to ensure that other people are operating to similar standards. If we compete on a level playing field, we have an opportunity to do that. We have a higher welfare aspect and environmental aspect and that is a cost that has to be taken into account.

**Q92 Trudy Harrison:** Do you feel that the Bill as it stands does allow for that change to happen?

**Huw Thomas:** There are certainly powers within the Bill that would potentially see the strengthening of the farmer's position within the supply chain. At NFU, we have been calling for more transparency around price reporting for some time.

Because the powers as drafted are so broad, I suppose it ultimately comes down to how they are used. There is scope to do some good here, but we need to ensure that Ministers go away and use the powers that they are granted to do that good for the supply chain. As John said, we do not know what sort of situation we will face post Brexit but we could face the very difficult situation of imports coming in produced to lower standards than in our domestic production, further undermining our prices and marketplace returns.

**Dr Fenwick:** It is worth noting that the current system is the latest incarnation of a system introduced after the war, which has reduced household expenditure on food by half since the 1950s. That has freed up money to allow people to go on holiday and what not. People spend less of their income on food now than they had to over the years. That is the result of a system that is specifically aimed at giving people plentiful, safe food at affordable prices. I am afraid to say that we now face a situation where that direct link between farming and food production is being removed. It is less direct than it was, obviously, but it is proposed that it be removed, and a quid pro quo is needed to restore the cheap food that we have managed to secure over the years.

In terms of many supply chains, yes, you can make the most of middle-class markets and local hotels and we see a lot of great innovation going on with farms—I am sure you see the same in the Lake district—but the fact of the matter is that the vast majority of our produce goes on to what is effectively a global market or an EU market, and we are competing against people from across the EU, across the UK and so on, as regards quality, but a bulk product that is going into our supermarkets in this country. That needs to be taken account of—that we are competing against other people.

If, as some people say, agricultural support is so bad for agriculture and holds us back so much—I agree with John that elements of that are true—one would question why, if it is that bad, it is regarded by the World Trade Organisation as something that should not be allowed and should have limits on it. That would suggest that the WTO has missed the point, but I do not think that that is the case; I think some of us are missing the point.

**Q93 Sandy Martin:** The Bill has already been characterised today as a scaffold rather than a building. It gives Ministers very wide discretionary powers, and most of the effect will be given by regulation. Yet there is very little statutory expectation of consultation. Would you feel more comfortable if there were more statutory consultation in the Bill?

**Huw Thomas:** Clearly, we are reading the Agriculture Bill in conjunction with the “Brexit and our land” consultation that is taking place in Wales. They are not synchronous, because one came out before the other, but you can see where the direction of travel has been set.

**Q94 Sandy Martin:** Sorry; I meant consultation on the regulations that will give effect, rather than on the Bill itself. Clearly, consultation on a Bill that does not specify exactly what will happen is one thing. Consultation on the regulations that will specify what will happen is surely something that you might welcome.

**Huw Thomas:** The Welsh Government have said that they will publish a White Paper early next year that will flesh out what they are consulting on at the moment, which will derive from this. In effect, there will be a consultation around that. Certainly, there would need to be further consultation before Ministers took some of the powers forward and utilised them, because they are so broadly drafted in the primary legislation that they could allow such a range of actions to be taken under their provisions. There has to be consultation with industry and stakeholders following that.

**Dr Fenwick:** I agree. It is part of a transparent, democratic system to consult. I do not mean on every occasion, on every tinkering, but when it comes to things that have an impact on jobs, people’s lives and so on, those should be consulted on.

**Q95 Mr Goodwill:** Farmers in other European Union countries have perhaps been more successful than farmers in the UK at attracting the capital funding that the Minister described in schedule 3. Given that those farmers have some very well organised and very large farmer-owned co-operatives that can not only get funding for processing, marketing and grain storage, but are big enough to square up to the supermarkets and other customers, how well organised are co-operatives in Wales, where you have lots of small farmers so co-operatives work very well? Do you see the capital funding going to the industry that the Bill would allow being a good thing for farmers, and would you see them as a preferred bidder to commercial companies that would be doing the same sort of thing?

**Dr Fenwick:** I agree. My first job this morning, before I got on the train, was to go down to our farmers’ co-op. It has branches all over the west side of Wales, from north to south, and employs large numbers of people. My grandfather has been a member of that co-operative since 1947, and it is one of a number across Wales. We sometimes forget that they are even co-operatives, but they do exist, and there are plenty of them in Wales, across England, and into Scotland.

I would guess that some of the funding made available to European co-operatives comes from rural development funding. We have an incredibly low historical allocation of rural development funding from the EU, as a result of our having handed it over as part of the CAP negotiations in the first part of this decade. We gave up what we were entitled to, effectively, when there was an equalisation process, which was obviously disappointing, and for that reason we have high modulation rates, particularly in Wales. As I am sure Mr Davies is aware, that is a big bone of contention, and it is to fill a gap that we have in our funding. It should not be forgotten that European businesses and farmers have access to far

more funds when it comes to direct investment and support, because they make more use of a larger rural development programme budget.

**John Davies:** You are absolutely right in identifying the balance of power in the marketplace. We have been successful in terms of supply-side co-operatives in Wales, but we have not been as successful as the likes of Müller, Kerrygold and other co-operatives in other parts of the EU. We have to look at how this could work, and help and support that in the Bill, because there are opportunities to focus more on new product development. Having travelled to New Zealand and seen how a real focus of the farmer-controlled meat operations has been new product development and accessing new markets, over and above shareholder return, there are lessons to be learned from other parts of the world. You are absolutely right to identify those opportunities in the Bill.

**Q96 Mr Goodwill:** Do you think that because in the past, we have had a deficiency payment scheme—or, for some commodities, intervention buying—farmers have been less on the front foot? For example, we could sell skimmed milk powder and butter into intervention, when other countries were developing new products.

**John Davies:** Having travelled to France and other parts of the world, there is a different approach to co-operative marketing, and we can learn some of that sticking-together principle more effectively. There are lessons to be learned. We need to look at how to do it. I do not think that is because of the deficiency payment; I think there is a slightly different mindset in the UK. We are slightly more independent, possibly. One penny will break a co-operative. I have had experience of being involved in a different farming co-operative in the past, and a 1p difference in your base price will break a co-operative.

**Q97 Mr Goodwill:** Would you say that the provisions in the Bill give a great opportunity for farmers in Wales to take advantage of this sort of scheme, which will then extend markets and take on the competition that may be coming in from abroad?

**John Davies:** Absolutely. We need to look to each and every lever we can pull, and there is scope within the Bill to utilise those opportunities.

**Dr Fenwick:** It requires the political will to use those levers appropriately, and I am afraid to say that in the past, we have not seen that political will when it comes to some co-operatives and some farmer-owned businesses. We have seen bodies broken up, effectively, because it is perceived that they have too much power, and that is the opposite of what we would like to see in terms of empowerment of the industry. We need to make up for that huge imbalance that has developed over the last 30 or 40 years in terms of the supermarkets.

**Q98 Deidre Brock:** I have a quick question about the consultation that the Welsh Government are conducting at the moment. Does it include proposals around the capping of payments?

**Dr Fenwick:** Only with regard to the capping of basic payments during a transition period in order to move money over to a public goods scheme. If I recollect correctly, there is no reference to the capping of payments, which is something that we have raised repeatedly. Indeed,

some have told us that there should be no cap on payments, which is a huge concern because we saw capping as a great movement forward in terms of the reputation of what is currently the common agricultural policy and in terms of the reputation of the industry.

Sadly, when we see headlines in newspapers about millionaires or racehorse owners getting huge payments, we are all tarred with the same brush. People do not realise that in Wales they took the progressive move back in 2014 to cap agricultural payments. We appreciate that the CAP legislation was not designed as well as it could have been in terms of making it possible in every country; we appreciate that England had problems from that point of view, but it is a massive backward step not to have capping.

**Q99 Ben Lake:** Another quick question. We have spoken a lot about what is in the Bill today. Is there anything you would like to see that is not there? I have in mind the meat levy. There was some discussion in Wales about the possibility of including that in the Bill. Do you have any views on that particular omission and is there anything else you would like to see in the Bill?

**Dr Fenwick:** Certainly, there has been a lot of discussion about how this could have been an opportunity to take account of the fact that Wales is currently losing money through the red meat levy legislation. We appreciate that some moves have been made to address and correct that, but it is far from ideal. We lost hundreds and hundreds of thousands of pounds when a single slaughterhouse closed a few years ago, and that hamstrung our meat marketing body hugely in terms of how it could market its meat, whether in England or on the continent. So it absolutely needs addressing. Certainly an opportunity has been lost there.

In terms of other elements, I am afraid I am more concerned about what is in it than what could have been in it.

**John Davies:** We want to see agriculture in the Agriculture Bill. We want to see a real, strong focus on the active farmer and how that comes through in terms of a sufficient degree of self-sufficiency. That would be useful. We see food security as a public good or a public right. That is vital. So there are a number of issues there. We want a safe and traceable domestic food supply. We want equal standards for imports and a level playing field, so that needs to be tightened up. There is an opportunity around public procurement. There is a real, strong opportunity around better labelling. It is vital that consumers are properly informed about their purchasing decisions. So there are a number of places there where we can see room for tightening and more detail. It is broad enough. We just need to focus in on that.

**Q100 Chris Davies:** You probably heard the talk earlier about how there could be a compounded payment in the transition period. Do you think that would work in Wales and would it be a benefit to many of our senior farmers who were looking to retire? Do you see it as a benefit or not?

**John Davies:** We would have some concerns around that in terms of the active farmer. We do not accept that it will be the correct and proper time to transit out of direct support or a level of direct support, so obviously we would not agree with that. That option has not at the present time been flagged up strongly in the consultation,

so we need to focus more on that, with the membership, but initially we would say no, we would not be supportive of that.

**Dr Fenwick:** I am afraid I was on a train, or on a tube train maybe, when that was raised, so I did not hear the discussion around it, but I agree with John Davies that it is a concern. We would have preferred to see some proactive moves to encourage young farmers and a transition from the older generation to the younger generation, with greater succession, etc., rather than moves which potentially leave vacuums, but are done for all the wrong reasons rather than being something that actually ensures that there is an incoming generation that probably is more deserving of any moneys.

**Q101 Tonia Antoniazzi:** Following on from Mr Davies's question—he is good at taking mine—what impact will the transition period in the Bill have on farmers in Wales, directly? Will there be any?

**John Davies:** It will have quite a major impact if transition is too quick. We have the opportunity, under the Bill, to transition over a seven-year period. I think the key thing is where we transition to. That is all part of the consultation at the present time. Until that is finalised and until we see the clear path there—I don't mind transitioning more quickly to something that is desirable, but if not, obviously I want to take as long as possible. We have a seven-year plan at present, with the option to extend, and it is important that if things change we take the opportunity to pause and reflect, to see whether that is workable and whether the money has been well spent or not. There are flexibilities in the Bill.

**Dr Fenwick:** I am afraid we do not know what we are transitioning to in terms of its economic impact on individual businesses, on the supply chain, on rural jobs, and some urban jobs—indeed, in slaughterhouses and places like that. As John said, if it is transitioning potentially to something negative, we want to take as long as possible. You don't want to transition away from a car to a bicycle; and we really do not know where we are going at the moment. It is extremely concerning.

What is being proposed in Wales, potentially: it will just be a slower death, maybe, for some communities if our worst concerns are realised. What we would say is that before making any suggestion of such a move, that detailed assessment has to be undertaken. It is no good trying to stop halfway through when you have lost 20% of your rural businesses and unemployment in rural areas is on the up. You simply need that impact assessment.

**The Chair:** I think, maybe, a final word, Mr Thomas?

**Huw Thomas:** I do not have much to add to the comments made by my colleagues there, but yes, a transition needs to be extremely carefully managed; otherwise, you risk doing some pretty significant collateral damage to the industry.

**The Chair:** If there are no further questions from Members, may I thank the witnesses for their evidence? Dr Fenwick, Mr Davies, Mr Thomas—do you want one final word?

**Dr Fenwick:** I did want to put in a final word in regard to the transition period. We have a huge concern which relates to the fact that in Wales contracts are proposed for individual farmers. Our experience with

regard to the administrative burden that that represents for the authorities does not fill us with any great hope that it would work well. We are talking about potentially trying to get in place tens of thousands of contracts in a short period of 18 months or two years. It has taken us seven years to get 3,700 complex contracts in place, yet we are now talking about potentially getting tens of thousands in a period of years, and introducing a system that would be far more burdensome for our administrators than the one we currently have.

**The Chair:** Thank you very much for coming. Thank you for your evidence. Have a safe journey home. We are grateful to you for the answers that you have given to all members of the Committee.

*Ordered,* That further consideration be now adjourned.—(*Iain Stewart.*)

4.39 pm

*Adjourned till Thursday 25 October at half-past Eleven o'clock.*

**Written evidence reported to the House**

AB01 John Greenshields	AB10 Tenant Farmers Association
AB02 Sophie Hyde	AB11 British Veterinary Association (BVA)
AB03 Kathy Keeley	AB12 Dairy UK
AB04 Sustainable Food Trust	AB13 Mrs Catriona Cook MBE
AB05 Arla Foods UK	AB14 The Trails Trust (TTT)
AB06 Countryside Alliance	AB15 Mid & West Berks Local Access Forum
AB07 Dawn Grocock	AB16 Farmwel
AB08 RSPCA	AB17 Anglian Water
AB09 Shaun Leavey OBE FRAgS	AB18 The Landworkers Alliance
	AB19 NFU Scotland
	AB20 NFU



