



House of Commons  
Environment, Food and Rural  
Affairs Committee

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**The future for food,  
farming and the  
environment**

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**Sixth Report of Session 2017–19**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 23 May 2018*

## The Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department of Environment, Food and Rural Affairs and associated public bodies.

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### Committee staff

The current staff of the Committee are Eliot Barrass (Clerk), Sian Woodward (Clerk), Daniel Schlappa (Second Clerk), Xameerah Malik (Senior Committee Specialist), Anwen Rees (Committee Specialist), Laura Grant (Committee Specialist), James Hockaday (Senior Committee Assistant), Ian Blair (Committee Assistant) and Annabel Russell (Committee Assistant).

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# 1 Background

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## Defra's consultation paper: Health and Harmony

1. Once the UK leaves the EU, the Government plans to incentivise methods of farming that create new habitats for wildlife, increase biodiversity, reduce flood risk, better mitigate climate change and improve air quality by reducing agricultural emissions.<sup>1</sup> It intends to do this by leaving the European Common Agricultural Policy (CAP) and implementing a new system based on paying public money for public goods.
2. The Government published its agriculture consultation 'Health and Harmony: the future for food, farming and the environment in a Green Brexit'<sup>2</sup> on 27 February 2018. This paper consults on a new domestic settlement for agriculture in England which will help deliver the Government's ambitions to "provide better support for farmers and land managers who maintain, restore, or create precious habitats for wildlife".<sup>3</sup> The results of this consultation will inform the upcoming Agriculture Bill, due later in 2018.
3. Agricultural policy is a devolved issue, as are other areas of legislation relating to farming. The consultation focuses on the approach to be adopted in England but notes that the UK Government and devolved administrations are working together to determine common frameworks in areas that are currently governed by EU law.

### Our inquiry

4. In April and May 2018, we took oral evidence from six panels of witnesses to hear different sectors' analyses of the Government's proposals. Our final oral evidence session was held on 2 May 2018 with George Eustice MP, Minister of State for Agriculture, Fisheries and Food. We thank all of those who submitted oral and/or written evidence to this inquiry.
5. The Government's paper is in many ways unfinished and lacks detail on, for example, the levels of future funding and the design of a future agricultural support system. This has inhibited our work. We look forward to receiving further such details from the Government in the coming months once it has analysed the responses to its consultation and prepares to publish its Agriculture Bill.

### Links to other inquiries

6. We have recently carried out inquiries on Brexit: Trade in Food<sup>4</sup> and Labour Constraints.<sup>5</sup> As such, these aspects of the consultation paper are not covered in detail in this Report.

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1 Defra, [Health and Harmony](#), February 2018, p6

2 Defra, [Health and Harmony](#), February 2018

3 Gove, M. Green Brexit: a new era for farming, fishing and the environment, [Speech](#), 15 March 2018

4 Environment, Food and Rural Affairs Committee, Third Report of Session 2017–19, [Brexit: Trade in Food](#), HC 348

5 Environment, Food and Rural Affairs Committee, Seventh Report of Session 2016–17, [Feeding the nation: labour constraints](#), HC 1009

## 2 Leaving the Common Agricultural Policy

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### Impact of the withdrawal of Direct Payments

7. Farming has been shaped by the European Common Agricultural Policy (CAP) for the last 45 years. Many farms make a loss from the agricultural side of their business but benefit from financial support (Direct Payments),<sup>6</sup> taking part in agri-environment schemes or diversifying their activities for income.<sup>7</sup>

8. The consultation paper outlines Defra’s plan to phase out Direct Payments to farmers and landowners to create “a more dynamic, more self-reliant agriculture industry”.<sup>8</sup> Making the case for this, Defra states that Direct Payments “can distort land prices, rents and other aspects of the market, creating a reliance on these payments, which can limit farmers’ ability to improve the profitability of their businesses”,<sup>9</sup> yet simultaneously the consultation paper acknowledges that many farm businesses rely on Direct Payments to break even.<sup>10</sup>

9. During our inquiry, we heard that many witnesses were supportive, or at least understanding, of the Government’s proposal to withdraw Direct Payments from farmers and landowners.<sup>11</sup> As an example, the National Farmers’ Union (NFU) told us it accepts that “direct payments based on area are crude and not very sophisticated”.<sup>12</sup> However, like other witnesses,<sup>13</sup> it is concerned about the design and delivery of a new scheme going forward and would like more information.<sup>14</sup>

10. Defra’s data, published in the evidence compendium alongside the consultation paper, shows that between 2014/15 and 2016/17 42 per cent of farms are not profitable if their Direct Payments removed from their historic accounts.<sup>15</sup> Yet the consultation paper makes little reference to the degree to which farms are therefore reliant on Direct Payments and the likely result of their withdrawal. Sustain was concerned about the large numbers of farms that could be lost if Direct Payments were removed without an adequate replacement scheme. Vicki Hird from Sustain told us that “there is a potential 25% loss of farms. This would have a big impact on rural cohesion [...] as well as ecosystem services, for jobs, for livelihoods, for the local food economy and for local food links”.<sup>16</sup>

11. Guy Smith from the NFU criticised the paper for not including a full impact analysis of this change.<sup>17</sup> Without a thorough impact assessment and detail on what future

6 For example, 94 per cent of the average farm business income from lowland grazing livestock farms came from Direct Payments between 2014/15 to 2016/17. Defra, [The Future of Farming and Environment Evidence Compendium](#), February 2018, p35

7 Defra, [The Future of Farming and Environment Evidence Compendium](#), February 2018, p23

8 Defra, [Health and Harmony](#), February 2018, p6

9 Defra, [Health and Harmony](#), February 2018, p13

10 Defra, [Health and Harmony](#), February 2018, p20

11 [Q88](#); The Campaign to Protect Rural England ([HAH0026](#)), para 6; British Ecological Society ([HAH0032](#)) para 3; Wildlife and Countryside Link ([HAH0012](#)) para 5.5; Which? ([HAH0020](#)) para 10

12 [Q16](#)

13 [Q2](#) [George Dunn]

14 [Q8](#)

15 Defra, [The Future of Farming and Environment Evidence Compendium](#), February 2018, p41

16 [Q251](#) [Vicki Hird]

17 [Q42](#) [Guy Smith]

financial support might be available, witnesses could not speculate on the precise effects of the withdrawal of Direct Payments, but were clear that the effect would be quite large and impact some sectors more than others. Professor Dwyer explained to us that:

The impact of the loss of direct payments is going to vary by sector, by scale of operation, by type of farming and by geography and the natural conditions under which farms operate. You get a very marked difference between the level of dependence on direct payments according to those factors.<sup>18</sup>

12. Guy Smith agreed: “Quite clearly, it will have impacts on some sectors quite quickly, particularly livestock and cereals, other sectors less so. The devil will be in the detail. It will depend on what alternative policies are brought in in its place”.<sup>19</sup>

13. Defra states that on average farms would only need to reduce their costs by 11 per cent in order to break even without Direct Payments.<sup>20</sup> However we heard from a range of witnesses who believed that the potential impact of withdrawing Direct Payments would have a disproportionate impact on their businesses. We had hoped that Defra’s consultation would have used a comprehensive sectoral assessment of the impact of withdrawing Direct Payments to help design its new agricultural policy. In the absence of such an assessment, we present below the evidence we received from various sectoral representatives on the potential results of the withdrawal of Direct Payments:

### **Tenant farmers**

- Land rents may decrease with the removal of Direct Payments which would benefit tenant farmers;<sup>21</sup> however these farmers will still face market failures that mean they may not be able to make a profit from farming.<sup>22</sup> The removal of Direct Payments will not therefore be a panacea for the sector.

### **Livestock farmers**

- “The majority of sheep farms are very heavily dependent on direct support”, accounting for around 70 per cent of their income;<sup>23</sup>
- most sheep farmers have already diversified so there are limited opportunities to bring in income from other sources;<sup>24</sup>
- the impact on lowland beef suckler producers “could be calamitous”;<sup>25</sup>
- failure to manage the upland and lowland landscape will have an impact on the tourism industry;<sup>26</sup> and

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18 [Q199](#) [Professor Dwyer]

19 [Q8](#) [Guy Smith]

20 Defra, *The Future of Farming and Environment Evidence Compendium*, February 2018, p45

21 [Q17](#) [Tim Breitmeyer]

22 [Q15](#) [George Dunn]

23 [Q194](#) [Phil Stocker]

24 [Q194](#) [Phil Stocker]

25 [Q202](#) [Jilly Greed]

26 [Q214](#) [Jilly Greed]

- farmers in particularly marginal parts of the country or parts of the farming sector, such as upland livestock farming, may require extra support.<sup>27</sup>

### Cereals and cropping

- Farms that produce cereals and general cropping receive on average 79 per cent and 60 per cent of their farm business income from Direct Payments respectively;<sup>28</sup>
- “between 2003 and 2017, the average arable farm made a total of £65,000 in 13 years from its agricultural output”.<sup>29</sup>

### Dairy farms

- “Direct Payments form a significant part of net income of dairy farmers in England. Unless this reduction in income is offset by other factors then the effect would be to reduce the scale of the dairy sector”.<sup>30</sup>

### Horticulture

- The Government has not clarified if the EU Fruit & Vegetables Regime<sup>31</sup> which supports horticulture will be continued or replicated after 31 March 2019. Without such a scheme, smaller producers may go out of business.<sup>32</sup>

14. In addition, we heard from many witnesses that small and medium farms will suffer disproportionately from the loss of Direct Payments. The loss of these farms will disproportionately damage the countryside.<sup>33</sup> Having a range of farm sizes and types is vital to ensure a thriving farming and rural industry, available and attractive to new entrants, progressing farmers and producing a healthy countryside.<sup>34</sup> Discussing family-run farms, Professor Dwyer highlighted that there could be a wider effect on the rural economy: “You put those sorts of businesses in a vulnerable position and the impact on the wider economy is greater, not just in monetary terms but in social and community terms as well”.<sup>35</sup>

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27 The National Trust ([HAH0005](#)), para 6

28 In the period 2014/15 to 2016/17. Defra, [The Future of Farming and Environment Evidence Compendium](#), February 2018, p35

29 [Q43](#) [Tim Breitmeyer]

30 Dairy UK ([HAH0024](#)), para 2

31 Horticulture does not receive Direct Payments however the EU Fruit and Vegetables Regime provides financial support to co-operatives formed by producers to reduce production costs, improve marketing and promote environmentally sound cultivation.

32 Asplins PO Ltd ([HAH0023](#)), para 5–7

33 [Q108](#); [Q209](#) [Peter Dawson]; Sustain: the alliance for better food and farming ([HAH0004](#)); para 5–7; Chartered Institution of Water and Environmental Management ([HAH0009](#)), para 1.3–1.4; The Campaign to Protect Rural England ([HAH0026](#)), para 1

34 Sustain, CPRE, TFA, NEF, FFA, FoE, [The need for specific support for maintaining a diverse farm structure in new English agriculture policy](#), March 2018

35 [Q214](#) [Professor Dwyer]

15. We put the concerns of our witnesses to the Minister for Agriculture, Fisheries and Food and asked how the impact could be justified on these vulnerable sectors. In response, George Eustice said:

We are looking at the impacts on different sectors. We have Farm Business Survey data, and other such data, to try to assess how great the dependency is on the single farm payment. [...] We have said that we recognise that there could be some particularly vulnerable sectors, and that we are inviting views on how we should address that. It may be that you would have a slower pace of change, or recognise that they provide an important position for the social fabric in some of those areas, or it may be that you design your new system in a way that is sufficiently generous that they can have a business model.<sup>36</sup>

## Levels of future funding

16. The consultation gives no clear commitment to funding. It commits to retaining the cash total for the sector to the end of the current Parliament in 2022. However some of these funds will be redistributed, by capping the total payment received by some landowners and funding others to undertake pilots of environmental land management schemes. Defra suggests that a progressive reduction in payments could be made or a cap could be applied above which no payment would be made. These are likely to affect the largest recipients first. There is no funding commitment for the new system that uses public money to pay for public goods after 2022.

17. Concern was raised at the lack of information about how the proposed redistribution would take place and the uncertainty about funding levels after 2022. Tim Breitmeyer from the CLA criticised the lack of detail in the consultation paper: “We have no clarity on how the money spent in transition will be pushed into programmes to improve productivity and profitability, and also the piloting of the new model”.<sup>37</sup> In written evidence, Wildlife and Countryside Link stated that: “Clarity on the scale of future funding, and how it will be given a long-term and stable footing is needed as a matter of urgency”.<sup>38</sup> Similarly, CIWEM described the consultation as lacking a “clear or convincing vision for the future support of farmers”<sup>39</sup> and the Campaign to Protect Rural England told us that: “Defra has given no indication of how cuts would be applied beyond the first year and how and when funding for public goods would become available”.<sup>40</sup>

18. Tom Lancaster from RSPB raised the absence of funding in the consultation paper and explained to us that the timing of bringing in the new funds will be equally important:

Ensuring that transition and taper brings in an environmental land management system whilst the taper is ongoing, or however they transition away from direct payments, will be really key, so we do not see that deficit in terms of environmental protection and land management in the interim.<sup>41</sup>

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36 [Q324](#)

37 [Q37](#) [Tim Breitmeyer]

38 Wildlife and Countryside Link ([HAH0012](#)), para 1.1

39 Chartered Institution of Water and Environmental Management ([HAH0009](#)), para 2.1

40 The Campaign to Protect Rural England ([HAH0026](#)), para 6

41 [Q65](#) [Tom Lancaster]

19. Angela Francis from Green Alliance went further and stated that even the current financial contribution of £3.1 billion was insufficient and to reach existing Government commitments on the environment,<sup>42</sup> slightly more would be needed:

A bottom-up calculation that has been done by the RSPB is their needs assessment, which says that to restore nature, which is a commitment we have made, would cost £2.4 billion. It acknowledges that we could count more in that by looking at soil restoration, which was not part of the first assessment and would bring it up to £3 billion to £3.5 billion, so a bit more to meet our environmental commitments.<sup>43</sup>

20. Several organisations suggested that the provision of public goods could also be funded by other non-public sector sources such as water companies.<sup>44</sup> The National Trust told us it sees “strong potential for private finance to complement current levels of public funding, enhancing the support farmers receive in future”.<sup>45</sup> CIWEM cautioned that private markets for public goods are not “sufficiently mature to be applied as widely as would be required”<sup>46</sup> so public money will be needed in the interim.

21. We asked the Minister whether farmers could rely on any new agricultural policy being funded in the future. He told us:

We have a manifesto commitment to maintain funding at the current level until 2022, and a manifesto commitment thereafter to roll out a new type of agriculture policy, focused on the delivery of public goods. Payment for public goods is something economists are comfortable with.<sup>47</sup>

22. We also asked whether he had had discussions with the Treasury. He replied: “No, not yet, in terms of funding”.<sup>48</sup> When pressed further on this point he responded:

Of course there are discussions. We are having discussions about the design, and Treasury officials are engaged in that. [...] To be clear, the manifesto commitment is that the funding stays the same until 2022. After 2022 a new scheme will be put in place, which will be funded.<sup>49</sup>

## The agricultural transition

23. The consultation indicates that once the UK leaves the EU and the CAP there will be a period of “agricultural transition” in England during which Direct Payments will be gradually withdrawn. The consultation does not make clear how long the transition will last; it suggests it may be “a number of years” following exit from the European Union.<sup>50</sup> After the transition period, Direct Payments will end and will be replaced by a “system of public money for public goods”.<sup>51</sup>

42 To restore nature within a generation and deliver commitments in the 25-year environment plan

43 [Q119](#)

44 [Qq113–115](#); [Q117](#); Anglian Water Services ([HAH0016](#)), para 3; The National Trust ([HAH0005](#)), paras 18–30

45 The National Trust ([HAH0005](#)), para 16

46 Chartered Institution of Water and Environmental Management ([HAH0009](#)), para 4.2

47 [Q291](#)

48 [Q298](#)

49 [Qq302–303](#)

50 Defra, [Health and Harmony](#), February 2018, p7

51 Defra, [Health and Harmony](#), February 2018, p20

24. Several witnesses expressed concern that the capping and removal of Direct Payments has the potential to create a period of uncertainty and volatility for many in the farming community.<sup>52</sup> The CLA was particularly frustrated that the paper only discusses the first year in detail:

One of the worrying things in the command paper is that it only talks about the first year. It is very silent on the fact that the whole industry, within five years—or probably about that timeframe—will have no BPS [Basic Payment Scheme] left. It does not make that at all clear.<sup>53</sup>

25. It was further suggested that the transition to the new scheme should not be started until the new system based on public goods is clear so that there is more certainty for farmers. Angela Francis told us:

We are asking for a transition period of five years, and we want the transition to the new system to start in 2022. During that period we [will] already know what the new system is, so farmers have certainty and can start changing how they provide public goods in their business model.<sup>54</sup>

26. Professor Dwyer also called for a longer transition period. She highlighted a potential environmental risk arising from too quick a policy change.<sup>55</sup> She drew parallels to the approach taken when the historic payments system moved to an area-based payments system with decoupling in 2005:

Defra took the decision to phase that over 10 years and to do it gradually, so that farmers knew that that was happening and had that period of time in which to adjust and to make plans.<sup>56</sup>

27. The National Trust warned that any delay in starting delivery of public goods could result in a permanent reduction of the overall funding level. It warned “the Treasury may attempt to reduce overall spending levels if the money cannot be redistributed quickly”.<sup>57</sup>

28. While a transition period is welcomed, there appears to be little consensus how long it should be. Our written evidence suggested a range of estimates between a minimum of three<sup>58</sup> to seven years.<sup>59</sup> We heard from the agricultural sector that the period needs to be long enough to ensure that farmers in England have time to adapt to change and invest to improve their productivity,<sup>60</sup> whereas environmental organisations were concerned that any delay could result in inaction by farmers.<sup>61</sup>

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52 [Q208](#); The National Trust ([HAH0005](#)), para 10; Woodland Trust ([HAH0015](#)), para 1.4

53 [Q40](#) [Tim Breitmeyer]

54 [Q145](#) [Angela Francis]

55 [Q212](#) [Professor Dwyer]

56 [Q206](#)

57 The National Trust ([HAH0005](#)), para 10

58 Soil Association ([HAH0019](#)), para 31; British Ecological Society ([HAH0032](#)), para 16

59 Dairy UK ([HAH0024](#)), para 16

60 NFU ([HAH0022](#)), para 3.2; Dairy UK ([HAH0024](#)), para 16

61 Chartered Institution of Water and Environmental Management ([HAH0009](#)), paras 5–5.5; Wildlife and Countryside Link ([HAH0012](#)), para 5.4

29. Defra suggests that during the agricultural transition period, it will simplify existing environmental rules under CAP:

We will seek to simplify Countryside Stewardship schemes, cross compliance<sup>62</sup> and remove or reduce current ineffective greening requirements, before we move to a new regulatory regime.<sup>63</sup>

30. Guy Smith from the NFU did not consider that the simplification proposals were clear. In particular he asked whether greening conditionality would still be required when reducing the Direct Payment: “Do you ratchet back the greening conditionality that goes with it? [...] It is not clear, and I cannot see it in the Command Paper”.<sup>64</sup>

31. Some evidence supported the proposed simplification of cross-compliance.<sup>65</sup> However it was noted that there was uncertainty around cross-compliance during the transition period. Ellie Brodie from The Wildlife Trusts highlighted that there is a risk that environmental standards under cross-compliance will be forgotten.<sup>66</sup> She explained:

Boundary features such as hedgerows are really important. They bring a range of benefits for wildlife and habitat connectivity. They are currently part of cross-compliance, and we would need to see those being picked up somewhere.<sup>67</sup>

32. The NFU also observed that there are existing environmental schemes that have not concluded: “We have to see them through the next few years. We cannot just cut them off. There are five to 10 year contractual style agreements”.<sup>68</sup> Arlin Rickard from The Rivers Trust agreed: “It is really important that we are able to transition across without a hiatus that could be very damaging”.<sup>69</sup>

33. We were concerned by the evidence we heard on the possible impacts to the environment from the withdrawal of Direct Payments, so we put our concerns to the Minister. He responded:

It is a fair comment, and that is why we do not intend to rapidly withdraw direct payments. It is why we intend to do it in a very orderly way, over a transition, so that the larger farmers affected by the cap would become early adopters of a new scheme, which would be all about payment for the delivery of environmental outcomes. We do not envisage that there would be a gap where you would lose people and they would fall between the stools.<sup>70</sup>

If you, however, were to say, “We are going to withdraw the single farm payment”, your criticism is absolutely pertinent, because you would lose

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62 Cross-compliance requires farmers to meet legislative standards in environment, food safety, animal and plant health and animal welfare. They must also keep land in good agricultural and environmental condition to ensure they receive Direct Payments and certain rural development payments.

63 Defra, *Health and Harmony*, February 2018, p8

64 [Q46](#) [Guy Smith]

65 The National Trust ([HAH0005](#)), para 11; Friends of the Earth England Wales and Northern Ireland ([HAH0027](#)), para 4.8; RSPCA ([HAH0002](#)), para 6

66 [Q74](#)

67 [Q74](#)

68 [Q38](#)

69 [Q85](#) [Arlin Rickard]

70 [Q337](#)

all the things that are protected by cross-compliance: hedge-trimming provisions, field boundaries and all sorts of things that are not well protected through cross-compliance but are protected to a certain extent.<sup>71</sup>

34. The evidence from a range of agricultural businesses indicates that their sectors will face significant impacts from the proposed withdrawal of Direct Payments. The level of impact will vary by sector as the economics of each are so different. There are likely to be particularly damaging effects on grazing livestock, cereal and mixed farms and the withdrawal of support and any subsequent closures of businesses could have wide reaching impacts on the rural economy and its communities. As in our Brexit: Trade in Food report, we were disappointed that these impacts have not been thoroughly assessed by Defra on a sector-by-sector basis, to then inform future agricultural policy.

35. *We recommend that Defra produces a thorough sectoral assessment of the withdrawal of Direct Payments in response to this Report. Production of this assessment will allow Defra to better target the additional support that will be required by small and medium-sized farms and businesses in especially vulnerable sectors.*

36. We are concerned to hear that there have been minimal discussions between Defra and the Treasury over the future funding of the new agricultural policy. There was a legitimate fear among our witnesses that without early commitments to funding levels, well in advance of 2022, promises on funding levels following the transition period cannot be “guaranteed”. Any new stewardship scheme must be sufficiently resourced to achieve the Government’s commitments to restoring the natural environment. *The Government should commit, in response to this Report, to fully fund the future agricultural policy and ring-fence the funds that are released from the withdrawal of Direct Payments to fund the rural economy and the environment.*

37. The consultation lacks specifics. We have noted above the absence of a thorough analysis of the effect of the withdrawal of Direct Payments and Defra’s seeming lack of urgency in ensuring guaranteed funding for agriculture after 2022. We trust that these weaknesses will be remedied in the Government’s response to this Report.

38. *In addition, to promote clarity in English agriculture, we recommend that Defra confirms as soon as possible:*

- *The timing and length of the “agricultural transition” period that gives farm businesses a reasonable time to plan and adapt;*
- *the status of cross-compliance and “greening” conditionality during the transition period; and*
- *that all existing environmental schemes will be supported to their completion.*

## 3 Increasing farm competitiveness

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### Productivity

39. UK farm productivity is not growing as quickly as that of some of our major competitors. We heard from Tom Hind at the Agriculture and Horticulture Development Board (AHDB) that increasing productivity is “absolutely critical” to delivering a profitable sector and the sustainability ambitions of the Government.<sup>72</sup> He added it “is not necessarily about producing more [...] but just doing it more efficiently”.<sup>73</sup> He went on to explain that “the average rate of productivity growth in the UK agriculture and horticulture sectors, over the course of the last 10 to 15 years, is about 0.9% a year, whereas in the Netherlands it is around 3.9% a year”.<sup>74</sup>

40. Our witnesses had mixed views on whether the proposals within the Government’s consultation paper would help agriculture to become more productive. The economists told us they considered the proposals would help productivity as Direct Payments had stifled entrepreneurship in the farming sector. Michael Taylor, from Policy Exchange told us: “Without [...] direct payments, there is an opportunity for the farming sector to increase its innovation, to improve productivity and efficiency”<sup>75</sup> and Angela Francis from Green Alliance said: “if we get this right, payments for public goods should improve farming productivity”.<sup>76</sup> However, the NFU was less confident. In its written evidence it noted that the consultation does not introduce new measures but merely suggests those that are already available to farmers such as five-year tax averaging, diversification, tax efficient savings and improved business management (e.g. benchmarking and skills improvement).<sup>77</sup> Dairy UK is also critical of the consultation paper stating that: “the Government’s approach to helping farmers improve their profitability is not adequate and that, no mention is made of the need for grant aid or tax breaks to farmers to assist them to invest in technology, equipment and buildings”.<sup>78</sup>

41. When we asked the Minister if he was concerned that some farmers may not be able to secure the investment to adapt to the new scheme, he replied that he was in principle keen on new financial packages to support productivity:

We could also look at capital grant support for investment in particular machinery or infrastructure. For instance, I have always envisaged, in the West Country, where you have a particular challenge with slurry management and the impact of ammonia on air quality, support to help farmers invest in direct injection equipment. That might be something that would deliver a lot by way of public goods. You might even support smaller groups of farmers to come together in machinery-owning syndicates; they could share machinery, and support through grants could encourage them to be able to do that.<sup>79</sup>

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72 [Q169](#) [Tom Hind]

73 [Q173](#) [Tom Hind]

74 [Q154](#)

75 [Q88](#)

76 [Q95](#)

77 NFU ([HAH0022](#)), para 4.13

78 Dairy UK ([HAH0024](#)), para 5

79 [Q318](#)

## Diversification

42. The consultation paper states that it wants to help farmers and land managers in remote areas, suggesting diversification into energy generation, tourism and commercial forestry.<sup>80</sup> During our inquiry, we heard that more than half the farms in the country are diversified, yet the average income from diversification is relatively small on most of those farms and there are only a few for which it is significantly bigger than their farm income.<sup>81</sup>

43. Witnesses described some of the barriers to diversification:

- Not every farm can diversify, particularly those that are tenanted, as they may find it difficult to borrow the money needed for investment;<sup>82</sup>
- most sheep farmers would have already invested in things that bring in income from other sources;<sup>83</sup>
- farms “copy-cat” each other creating over-capacity;<sup>84</sup>
- the market is already quite competitive for tourist holiday lets;<sup>85</sup>
- diversifying to farm shops, cafes and restaurants is location dependent;<sup>86</sup>
- the lack of good broadband coverage in rural areas is a real obstacle to new business options and limits tourism;<sup>87</sup> and
- mobile phone coverage can be poor “particularly in the uplands, and certain black spots”.<sup>88</sup>

44. Having a diversified farm business does not necessarily mean it will be successful. Professor Dwyer explained that the best strategy to diversification is where two, or more, businesses can support each other such as an increase in tourism creating a market for farm products.<sup>89</sup> Her work on the evaluation of the last rural development programme for England showed that “successful diversification strategies were when they were done in larger-scale partnerships of different organisations working together and planning at a strategic level”.<sup>90</sup> This means businesses develop where there is real market need rather than copying each other and saturating the market.

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80 Defra, [Health and Harmony](#), February 2018, p47

81 [Q244](#) [Professor Dwyer]

82 [Q235](#)

83 [Q194](#) [Phil Stocker]

84 [Q236](#) [Professor Dwyer]

85 [Q235](#) [Jilly Greed]

86 [Q235](#) [Jilly Greed]

87 [Qq236–237](#); Guildford Business Forum Rural Group ([HAH0033](#)), para 1.5

88 [Q236](#) [Jilly Greed]

89 [Q244](#)

90 [Q366](#)

## Technology and innovation

45. The consultation paper states that Defra “will encourage farmers and growers to invest in new technologies and processes to increase their profitability, tackle plant and animal diseases and improve animal health”,<sup>91</sup> yet provides few details on how this will be achieved.

46. Witnesses explained that to improve productivity in UK farming there is more scope to reduce the inputs (i.e. resources expended) rather than increase the outputs (yield), for example, precision farming does not increase yields, but significantly reduces the cost of production by reducing the amount of fertiliser needed. Professor Blackmore told us that “we have now reached the end of the economies of scale, because the machines cannot be made any bigger”.<sup>92</sup> He noted that small and medium sized farms have the potential to benefit the most from precision farming technology.<sup>93</sup> He also highlighted there are huge benefits to be gained from reducing the damage to soil made by large machinery: “very rarely do you get economics and environment pulling in the same direction, but in this case they do”.<sup>94</sup> Professor Blackmore went on to tell us about his research at Harper Adams University:

We have the world’s first commercial crop produced in the UK under the Hands-Free Hectare, where one hectare of barley has now been produced with nobody going in. That was only a demonstration. The actual cost of it is ridiculous. It is the most expensive barley in the world, but we have proved the point.<sup>95</sup>

47. Given the cost of these new technologies, we asked experts from the agri-tech industries how long it would be before they are a commercial reality and begin to impact UK farming productivity. Fraser Black of CHAP told us that “the adoption of any technology, particularly disruptive technology, is difficult [...] it will take a generation to get this through”.<sup>96</sup> He explained why it would take so long:

You have to start with the coalition of the willing: those who really want to buy it and do it. You have to be able to set them up, even if you are putting it into a trial farm, on a trial basis, for 10 years or however long it takes. You have to be able to show that it works. Without showing that it works, no one else will pick it up.<sup>97</sup>

48. Tom Hind from AHDB explained to us that the difficulty of transferring technology onto farms was that it relies on farmers seeing demonstration projects. AHDB has established a series of 46 strategic and monitor farms to demonstrate some of these ideas, but he considers that “it is not enough”.<sup>98</sup> He highlighted that one of the reasons that farmers find it so difficult to access advice and information is that there are so many different sources of advice: “There are 14 different types of advisory service in the industry

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91 Defra, [Health and Harmony](#), February 2018, p25

92 [Q159](#)

93 [Q164](#)

94 [Q189](#), [Q176](#)

95 [Q159](#)

96 [Q182](#)

97 [Q182](#) [Fraser Black]

98 [Q183](#)

and 90 different actors”.<sup>99</sup> Instead, he suggested that the industry must come together in one place: “We have to bring it into one place to make the private sector and the public sector organisations like us work much more closely together”.<sup>100</sup> AHDB consider there is a role for Government to supply free independent advice through a ‘what-works’ centre to create a “one-stop shop for evidence, advice and knowledge that is independently and objectively verified”.<sup>101</sup> Tom Hind suggested that this would “not necessarily require a big investment”.<sup>102</sup>

49. Helen Browning from the Soil Association told us that innovation need not be high tech: “A lot of eco-innovation is required”.<sup>103</sup> She described the success of the Innovative Farmers programme which tries to use resources already available on farms, using nature and sustainable materials.<sup>104</sup> Professor Lang agreed: “Low tech is just as important as the high tech”.<sup>105</sup> Peter Stevenson from Compassion in World Farming noted that there is too much emphasis on technology in the consultation paper:

There is a huge emphasis on technology but it never mentions agroecology. It barely mentioned rotations or integrated crop livestock systems. It is not giving farmers enough of a vision of what things we want in the future. There are a lot of good things but a lot needs detailing.<sup>106</sup>

50. The Government’s 2013 Agri-Tech Strategy committed £160 million to create four world class Centres for Agricultural Innovation through the Department for Business, Innovation and Skills. We asked two of the leaders of these centres if they considered that funding for their centres was secure. Fraser Black told us: “No, [CHAP’s] funding is not secure, but we are hoping it will be secure as we go forward”.<sup>107</sup> Tim Bennett on behalf of the Centre for Innovation Excellence in Livestock (CIEL) made a plea that:

... having now moved back into applied research, as most countries in the world do, including those that do not subsidise their famers, we need that continuity. If you build the capacity, do not follow through with the research and then do not transfer that to the industry, you have wasted some money.<sup>108</sup>

51. We asked the Minister how the Government intends to support innovation in food production. He told us:

When it comes to food production, we are doing some work with the industrial strategy. The NFU is represented around the Food and Drink Sector Council. We are doing a lot of other work in that space, on food, opening new markets and supporting innovation. We will have a successor to the agri-tech fund. We float the idea of R&D syndicates to help support R&D in food production, and in agriculture in particular. There is that sort of work.<sup>109</sup>

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99 [Q169](#) [Tom Hind]

100 [Q169](#) [Tom Hind]

101 [Q170](#) [Tom Hind]

102 [Q170](#) [Tom Hind]

103 [Q288](#) [Helen Browning]

104 [Q288](#) [Helen Browning]

105 [Q288](#)

106 [Q252](#)

107 [Q186](#) [Fraser Black]

108 [Q186](#) [Tim Bennett]

109 [Q339](#)

## Skills and training

52. Better performing farmers are more likely to have qualifications, participate in professional development schemes and undertake risk management practices.<sup>110</sup> “In 2013, only 18% of farm managers in England had full agricultural training, with 61% having only practical experience”.<sup>111</sup> AHDB believes that this may explain the wide variation in farm business performance and profitability in the UK. It told us that “new technology is [not] the only route to productivity growth [...] skills are really important”.<sup>112</sup>

53. The consultation paper states that:

The industry itself has an essential role in inspiring people to consider careers in food and farming and helping them to develop the diverse skills and qualifications needed to succeed.<sup>113</sup> We want to encourage more farmers to benchmark themselves against the best and commit to Continuing Professional Development.<sup>114</sup>

54. The Soil Association supports the role of benchmarking: “The development of benchmarking initiatives has been shown to be a powerful way to drive farm performance”.<sup>115</sup> Peter Dawson from Dairy UK agreed with the importance of benchmarking, but noted that access to data can be difficult where rural broadband is limited.<sup>116</sup>

55. Professor Dwyer told us that training by farmers in business skills and business development can get overlooked by a focus on technical skills.<sup>117</sup> She described the positive approach taken elsewhere in Europe where farmers work together on particular issues that interest them and told us: “the key thing [...] is that they are in a network of like-minded people who are interested in learning and continuous improvement; that is the dynamic you have to engender. The training can then be really valuable”.<sup>118</sup> Phil Stocker agreed:

We have some really good models where farmers are coming together and setting their own agenda. It is them that are discussing what they want to talk about. It is them that are learning from each other and learning from people they respect. They still need facilitation. They do not necessarily need experts.<sup>119</sup>

56. The Soil Association considers these types of schemes should be supported through the allocation of at least ten per cent of the current research and development budget for innovative agriculture projects led by farmers themselves, who are best placed to know what they need to solve the problems that they face. It suggested that “on current figures, this would amount to a minimum £45 million per year going into farmer-led research and innovation. This would translate into 1,000 projects a year led by groups of farmers”.<sup>120</sup>

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110 AHDB. 2018. *Driving productivity growth together*, January 2018, page 7

111 Defra, *Health and Harmony*, February 2018, p29

112 [Q189](#)

113 Defra, *Health and Harmony*, February 2018, p29

114 Defra, *Health and Harmony*, February 2018, p25

115 Soil Association ([HAH0019](#)), para 11

116 [Q248](#)

117 [Q246](#)

118 [Q246](#)

119 [Q247](#)

120 Soil Association ([HAH0019](#)), para 8

57. Productivity in agriculture is falling behind many of the UK's competitors and improving this will be vital to deliver on the Government's ambitions. As drafted, the consultation fails to address this and the other barriers limiting farm productivity.

58. *We recommend that the Government produces a farm productivity plan by May 2019 at the latest. This could include, but should not be limited to:*

- *A review of the requirement for the rationalisation of existing advice centres for the dissemination of independent evidence, advice and knowledge to improve on farm uptake of new technologies;*
- *a thorough investigation of new tax breaks to assist farmers to invest in technology in conjunction with the measures already announced;*
- *further details on what measures could be funded under capital grant support;*
- *funded facilitation for farmers working together and leading projects;*
- *closer work between Defra and DCMS to improve mobile and digital infrastructure which will be critical to the success and development of the rural economy; and*
- *clarify the form and funding of the successor to the agri-tech fund.*

## 4 Public money for public goods

59. The Government’s paper proposes that the new agricultural policy will be underpinned by the payment of public money for the provision of public goods. It suggests that environmental public goods could include improved soil health, improved water quality, better air quality, increased biodiversity, climate change mitigation and enhanced beauty, heritage and engagement. It also asks whether other matters in the public good should be supported such as animal welfare, promoting agricultural productivity, public access and supporting rural and upland resilience.<sup>121</sup>

60. Many organisations supported the premise of the consultation paper’s proposal that public money should be used to pay for public goods.<sup>122</sup> However, as with many of the proposals in the paper, we heard complaints at the Government’s lack of detail. In particular there were questions about which goods will be funded and how much money will be available to deliver them. Phil Stocker from Dairy UK questioned the level of compensation that farmers would receive:

There are plenty of things that dairy farmers could do to provide public goods. The question is what the nature of compensation that farmers would receive to undertake these measures would be. The Defra consultation document is very largely silent on this.<sup>123</sup>

61. The CLA told us it is vital the new agricultural system reflects “the commercial reality” of decisions on land management and warned that some farmers may not wish to participate.<sup>124</sup> Among agricultural witnesses, there was agreement that “active farmers” should benefit,<sup>125</sup> though we also heard that this should not be to the detriment of those that are managing land for public goods. The National Trust told us: “Public money should be paid to those who can best provide such public goods, and should avoid an unhelpful restriction of funding to ‘active farmers’”.<sup>126</sup>

62. Many organisations criticised the lack of discussion of food security and food production in the consultation.<sup>127</sup> Subsidising food production is strictly constrained by World Trade Organization rules, yet decoupled payments and agri-environment schemes would be allowed providing specific criteria are met.<sup>128</sup> A number of organisations highlighted the importance of integrated approaches that deliver sustainably produced food, rather than bolt-on conservation projects.<sup>129</sup> Professor Dwyer told us:

121 Defra, *Health and Harmony*, February 2018, p32–35

122 [Q2](#) [Tim Breitmeyer]; [Q59](#) [Ellie Brodie, Tom Lancaster]; [Q89](#) [Michael Taylor]; [Q251](#) [Helen Browning]; Anglian Water Services ([HAH0016](#)), para 3; British Ecological Society ([HAH0032](#)), para 6; British Veterinary Association ([HAH0007](#)), para 16; Institution of Environmental Sciences ([HAH0025](#)), para 2.4; National Pig Association ([HAH0021](#)), para 3; The Campaign to Protect Rural England ([HAH0026](#)), para 3; Which? ([HAH0020](#)), para 18; Wildlife and Countryside Link ([HAH0012](#)), para 3.1; Woodland Trust ([HAH0015](#)), para 3.1

123 [Q228](#) [Peter Dawson]

124 Country Land and Business Association ([HAH0042](#)), para 1

125 [Q13](#) [George Dunn]; [Q16](#) [Guy Smith]

126 The National Trust ([HAH0005](#)), Summary

127 [Q250](#) [Professor Lang]; NFU ([HAH0022](#)), para 1.5; Agricultural Biotechnology Council ([HAH0028](#)); Cardiff School of Law and Politics ([HAH0014](#)), para 19; National Pig Association ([HAH0021](#)), para 2

128 Defra, *Health and Harmony*, February 2018, p62

129 [Q125](#) [Angela Francis]; The Campaign to Protect Rural England ([HAH0026](#)), para 4; Woodland Trust ([HAH0015](#)), para 9.4–10; Soil Association ([HAH0019](#)), para 31–36

We should not be seeing this as a situation where there is a trade-off between public support for keeping people managing the land and food production and profitable food production. The two things have to work together. They have to be synergistic.<sup>130</sup>

## What public goods should be supported?

63. The consultation paper asks respondents to rate public goods in order of preference which we heard could risk over-simplifying the complexity of the natural world. The Institution of Environmental Sciences described it as a misunderstanding of “the multi-faceted nature of the natural and human systems involved”<sup>131</sup> and Ellie Brodie from The Wildlife Trusts told us it was “a little dangerous” and projects should seek instead to deliver multiple benefits in the public good.<sup>132</sup>

64. Most witnesses supported the model to include wider outcomes (those that are “in the public good”) such as improved animal health and welfare, public health and healthy food production.<sup>133</sup>

### Animal health and welfare

65. During our inquiry, many organisations supported the idea that improved animal welfare should be funded by the new policy as it is in the public good.<sup>134</sup> Guy Smith from the NFU told us that high animal welfare standards should be supported by the Government’s policy:

I would argue that food produced to relatively high standards, in terms of animal welfare, environmental responsibility and traceability and safety, is a public good. Any sensible Government should look to secure an element of that in its policy”.<sup>135</sup>

66. Compassion in World Farming agreed that animal welfare should be supported and suggested the consultation paper was too cautious: “We are concerned that Defra’s paper cautiously states that subsidies “could” be used to support improved animal welfare rather than making a clear commitment to so doing”.<sup>136</sup> Which? noted in its evidence the high public support for animal welfare and suggested that it could be trialled during the transition period:

As well as piloting environmental land management schemes during this transition period, there is also a need to understand and test how issues that matter to consumers, such as higher food safety, quality and welfare standards can also be incentivised and achieved.<sup>137</sup>

130 [Q226](#)

131 Institution of Environmental Sciences ([HAH0025](#)), para 2.7

132 [Q70](#)

133 [Qq242–243](#) [Professor Dwyer]; Anglian Water Services ([HAH0016](#)), para 3; Friends of the Earth England Wales and Northern Ireland ([HAH0027](#)), paras 3.1–3.9; Sustain: the alliance for better food and farming ([HAH0004](#)), paras 11–12; National Pig Association ([HAH0021](#)), paras 15–18; First Steps Nutrition Trust ([HAH0039](#)), para 2

134 [Q4](#) [Guy Smith] [Tim Breitmeyer]; [Q243](#) [Professor Dwyer]; Soil Association ([HAH0019](#)), para 24

135 [Q4](#) [Guy Smith]

136 Compassion in World Farming ([HAH0003](#)), Executive summary

137 Which? ([HAH0020](#)), para 11

67. Animal health was also suggested to be a public good. The National Pig Association noted that “protecting and improving animal health is a vitally important public good and that Government should place equal value on this as it does on environmental protection”.<sup>138</sup> Healthy animals tend to require fewer antimicrobial treatments. Anglian Water Services supported the inclusion of animal health standards and welfare, noting “these often have direct links to pollution from animal wastes and, levels of chemicals including antibiotics in raw waters”.<sup>139</sup>

### **Public health and healthy food**

68. We heard from many organisations that the consultation was a missed opportunity to include improvements to wider issues of public health.<sup>140</sup> Professor Lang from the Centre for Food Policy at City, University of London told us: “It is the total failure of this paper”.<sup>141</sup> The UK is increasingly suffering from diet-related diseases such as diabetes, some cancers and heart disease. The most recent Government eating guidelines recommend seven portions of fruit and vegetables per day, which is almost double current consumption.<sup>142</sup> Defra figures show the UK produces just 17 per cent of the fruit consumed domestically and 55 per cent of vegetables, with the rest made up from imports totalling £5.9 billion per annum.<sup>143</sup> Some of these imports could not be grown in the UK (e.g. pineapples, avocados), yet others which could be home grown (e.g. brassicas, mushrooms, lettuce) have seen large drops in domestic production.<sup>144</sup>

69. Some witnesses suggested that public health<sup>145</sup> or the provision of healthy, safe and affordable food is a public good and should be funded as such.<sup>146</sup> Sustain told us: “recognition of public health as a public good could help pave the way for beneficial improvements to farming standards, investment of public money and publicly supported research and development”.<sup>147</sup>

70. Others considered that improved public health could be achieved through an expansion of UK horticulture.<sup>148</sup> Professor Lang argued: “We are not producing apples and pears and horticulture that we could and should. We need it for public health reasons”.<sup>149</sup> He continued that this could be achieved through funding for research and education: “We need to have a huge investment of time and energy, colleges, infrastructural support and research into encouraging a completely new and revitalised British horticulture industry”.<sup>150</sup>

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138 National Pig Association ([HAH0021](#)), para 3

139 Anglian Water Services ([HAH0016](#)), para 3

140 [Q250](#); [Q251](#) [Helen Browning, Vicki Hird]; UK Pesticides Campaign ([HAH0038](#)), paras 1.40–1.42

141 [Q250](#)

142 Asplins PO Ltd ([HAH0023](#)), para 10

143 [Q255](#) [Peter Stevenson]; Defra et al. *Agriculture in the United Kingdom 2016*, November 2017, p93

144 Lang, T., Schoen, V. *Horticulture in the UK: potential for meeting dietary guideline demands*. Food Research Collaboration, 2016

145 Sustain: the alliance for better food and farming ([HAH0004](#)), para 12; Friends of the Earth England Wales and Northern Ireland ([HAH0027](#)), para 3.4

146 Food Foundation ([HAH0018](#)), para 4

147 Sustain: the alliance for better food and farming ([HAH0004](#)), para 12

148 [Q253](#); [Q254](#) [Professor Lang]; [Q255](#) [Peter Stevenson]; Asplins PO Ltd ([HAH0023](#)), para 10

149 [Q250](#)

150 [Q254](#) [Professor Lang]

71. Vicki Hird from Sustain suggested that outside of the CAP there is more scope to diversify production in horticulture:

We can repair that harm that the CAP did by investing and helping farmers to convert to top fruits, to other types of field vegetables, etc. That would diversify production and provide what I think is the 30 million new portions of fruit and veg that we need to deliver the seven a day that we actually need to be eating.<sup>151</sup>

72. Others pointed out that another way to improve public health would be for the consultation to include a commitment to healthy food in public procurement.<sup>152</sup> The Food Foundation suggested that local authorities and other public bodies should be supported to increase the proportion of fruit and vegetables as well as the volume they procure from local growers.<sup>153</sup> Vicki Hird from Sustain explained:

We need to make procurement work, which is entirely absent from this paper. I find it absolutely extraordinary that we [the Government] did not grasp the opportunity that public procurement could provide for championing an integrated healthy welfare market for our producers in the UK and the local market potentially. There are lots of gaps but there is potential.<sup>154</sup>

73. The Government's view on support for food production is that farmers already receive a return for producing food, so they should be better rewarded through the market, not through public funding.<sup>155</sup> When we asked the Minister whether the new policy would support food production, he explained that this was not a role for public money:

I think the right thing to do is to reward farmers from the public purse for the public goods they deliver, and to expect the market to pay a fair price for food, which reflects the cost of production, rather than tax the consumers, give a subsidy to farmers and then have food at an undervalue. We have to try to be clear about what we are trying to achieve with public money.<sup>156</sup>

74. We were concerned that the paper's apparent emphasis on "public goods" made little mention of integrating food production alongside environmental protection. We questioned the Minister on this matter. He responded:

We want to support and incentivise a different approach to farm husbandry, in particular soil husbandry but also livestock husbandry. It is not about saying that there is farming and there is the environment, and they are in a perpetual antagonism to one other; it is about saying that we want to support a different approach to farm husbandry that delivers for the environment but also delivers highly profitable farm businesses and nutritious food.<sup>157</sup>

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151 [Q255](#) [Vicki Hird]

152 [Qq251–252](#) [Vicki Hird] [Peter Stevenson]; [Q257](#) [Helen Browning]; British Poultry Council ([HAH0008](#)) para 29; Food Foundation ([HAH0018](#)), para 8

153 Food Foundation ([HAH0018](#)), para 8

154 [Q251](#) [Vicki Hird]

155 [Q326](#)

156 [Q326](#)

157 [Q352](#)

75. We heard widespread support for the inclusion of animal health and welfare within the new policy of public money for public goods. *We recommend that Defra commits to exploring how the funding of animal health and welfare as public goods could be achieved through trials during the agricultural transition period.*

76. The consultation paper lacks discussion of wider food policy and has failed to link agricultural policy to wider public health goals and reducing diet-related diseases. *Healthy food makes a wider contribution to public health, which is in the public good and we recommend it should be supported as such under the new model of awarding payments to farmers.*

77. *Defra should work to bring forward changes to Government Buying Standards to ensure greater use of healthy, affordable, British food in Government procurement. Defra should report back to us on progress in this area in six months' time.*

### Coordination of the new environmental land management system

78. In order to deliver the new public money for public goods model, a new environmental land management system will be created. The consultation paper does not make clear how this will be coordinated and delivered. It does not indicate whether existing organisations such as the Environment Agency, Natural England or the Rural Payments Agency will have a role, individually or working together, or whether an altogether new organisation will need to be created. It merely suggests a number of possible mechanisms: “new environmental land management schemes, funding for collaborative projects, capital grants, a ‘user friendly’ design and innovative mechanisms”.<sup>158</sup>

79. During our inquiry we heard a range of ideas for how the new system could be coordinated:

- A single agency “could lead a national framework for delivering environmental policy outcomes”;<sup>159</sup>
- delivery may be most appropriate at the ecosystem level, connecting agri-environment schemes on a larger spatial scale;<sup>160</sup>
- a ‘buyers’ and a ‘sellers’ network could be established which would echo the direction of the Catchment Based Approach and 25 year plan with strategic supra-catchment oversight;<sup>161</sup>
- a contractual basis for delivering public goods, on a multi-annual basis to provide certainty;<sup>162</sup>
- “an agreed national framework should inform local delivery”. “The lead agency should also have a role in funding pilots and novel approaches, such as reverse auctions and direct commissioning of specific outcomes, in some instances devolving delivery to local partnerships”;<sup>163</sup> and

158 Defra, *Health and Harmony*, February 2018, p37

159 The National Trust (HAH0005), para 33

160 British Ecological Society (HAH0032), para 7

161 Anglian Water Services (HAH0016), para 4

162 Q51 [Tim Breitmeyer]

163 Wildlife and Countryside Link (HAH0012), paras 4.4

- “at the local level a joint ‘committee’ could be made up of local community reps, farmers and landowners, park authorities, conservation bodies, private sector and planners, in facilitated meetings, who would devise a management plan for the area to be signed off by the Secretary of State”.<sup>164</sup>

80. Generally, witnesses suggested the system should be on a contractual basis where environmental outcomes are bought by the Government or public-sector organisation from farmers and land owners. Richard Hebditch from the National Trust told us about a pilot project in North Yorkshire using a ‘payments for outcomes’ approach: “that is a good pilot for the kind of approach Defra seem to be moving towards”.<sup>165</sup> We heard that payment for outcomes is supported by both farming and environmental organisations.<sup>166</sup>

81. Others noted that the new scheme must be simple and not overly bureaucratic.<sup>167</sup> Guy Smith from the NFU pointed out: “It is absolutely imperative that the agri-environment schemes going forward are attractive to farmers, not just financially but also in terms of faff, paperwork, clarity or confidence in them”.<sup>168</sup> Wildlife and Countryside Link suggested the Government must learn lessons from the delivery of past agri-environment schemes: “Unwieldy IT systems, mapping issues, poor or inconsistent guidance, disproportionate evidence requirements and a lack of administrative and advisory staff have all impacted delivery”.<sup>169</sup> It recommended “a future policy [with] clear and consistent guidance, an appropriately resourced and expert delivery body, excellent advice, an effective IT system and proportionate evidence requirements”.<sup>170</sup> The NFU also stressed the need for “fit for purpose, well tested, IT systems”.<sup>171</sup>

### *Piloting the new system*

82. The consultation paper outlined that the Government will pilot new delivery mechanisms during the agricultural transition to inform the environment land management scheme:

Piloting will continue during the ‘agricultural transition’ period, alongside further testing to roll out results-based payments for additional environmental land management options. The results of the first pilots will inform the design and approach for a new environmental land management system to be introduced from 2022.<sup>172</sup>

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164 Sustain: the alliance for better food and farming ([HAH0004](#)), para 20

165 [Q61](#)

166 [Q52](#) [George Dunn]; [Q71](#) [Arlin Rickard]; The National Trust ([HAH0005](#)), para 17; National Pig Association ([HAH0021](#)), para 4; Woodland Trust ([HAH0015](#)), para 4.7; The Campaign to Protect Rural England ([HAH0026](#)), para 4

167 [Q54](#) [Guy Smith]; [Q76](#) [Tom Lancaster]

168 [Q54](#) [Guy Smith]

169 Wildlife and Countryside Link ([HAH0012](#)), para 5.6

170 Wildlife and Countryside Link ([HAH0012](#)), para 5.6

171 NFU ([HAH0022](#)), para 4.18

172 Defra, [Health and Harmony](#), February 2018, p41

83. Some organisations suggested that the pilot projects should consider how to deliver wider Government targets. For example, The Wildlife Trusts suggested that pilots of public goods should deliver commitments under the 25 year environment plan. Ellie Brodie said: “I would make a pitch for [the funding] to be used to really explore how our new environmental landmanagement system could deliver nature’s recovery through a nature recovery network”.<sup>173</sup>

84. Tom Lancaster from RSPB warned that that there is a risk that in piloting new approaches, Defra overlooks the agri-environment schemes that have already been successful in England:

We know a lot of what works. There could be temptation to invest too much time in some fairly bluesky pilots and thus neglect the need to actually build that environmental land management system now, if it is going to come on stream in 2022.<sup>174</sup>

85. Arlin Rickard from The Rivers Trust told us about the wealth of existing schemes being undertaken in this area:

... there is some very good practice taking place already. For instance, many of the rivers trusts and certainly catchment partnerships are working in many cases with water companies acting as the kind of ethical broker, working with a wide range of farmers.<sup>175</sup>

86. The TFA, Sustain and CPRE suggested using Natural England’s National Character Areas profiles as a starting point for the new system.<sup>176</sup> These identify opportunities for environmental improvement and provide an established spatial framework for targeting spending to support environmental outcomes. George Dunn outlined that they could be developed into a contractual system: “It is not beyond the wit of policymakers to use those frameworks that already exist to develop the types of contractual arrangement”.<sup>177</sup> The Soil Association highlighted that existing certification schemes could be built upon:

A key advantage for government from a delivery point of view is that organic is already defined, regulated, and has credible inspection and certification bodies in place. LEAF and RSPCA Assured have these advantages too, though not regulated/codified in the way that organic is. Building on existing certification schemes makes sense in many ways for government.<sup>178</sup>

87. Given the consultation did not specify a delivery body, we asked the Minister for some clarity on who he envisaged coordinating and delivering schemes. He told us:

Fundamentally, the basis of this is that the landowner or the person in control of the land, the tenant perhaps, has to be responsible for delivering these schemes. [...] Could we have a bigger role for some of these other organisations [NGOs]? One idea that we have floated and are looking at is

173 [Qq69–70](#)

174 [Q69](#) [Tom Lancaster]

175 [Q62](#) [Arlin Rickard]

176 [Q52](#) [George Dunn]; The Campaign to Protect Rural England ([HAH0026](#)), para 3; Sustain: the alliance for better food and farming ([HAH0004](#)), para 20

177 [Q52](#) [George Dunn]

178 Soil Association ([HAH0019](#)), para 27

whether you could have, for instance, UKAS-accredited schemes, run by bodies such as the Rivers Trust. We have the LEAF scheme, which exists already. We have a track record with the Soil Association schemes, which we recognise and use as a basis for payment in some instances. You might even have local schemes run by the wildlife trusts, which farmers might be rewarded for participating in. There could be a role for some of those bodies to help in designing local schemes that deliver for local objectives.<sup>179</sup>

88. We also pressed the Minister on how lessons might be learnt from implementation of CAP. He told us that the new scheme will be much less complex in its approach:

These things are all part of the EU design. They, as I said, are hopelessly bureaucratic and very dysfunctional. We need to make clear that, as we design a new scheme, we are going to move away from that type of approach, and focus on outcomes and the delivery of outcomes ...

We have a long track record of these types of schemes. We know what certain things deliver, and we will obviously be looking closely at that data as we design the new scheme.<sup>180</sup>

**89. We welcome the Minister’s assurance that the new environmental land management scheme will look to extend the success of existing schemes, such as those accredited by UKAS, and involve a wide range of organisations with experience of delivering environmental stewardship. We are further pleased to hear that the new land management system will be delivery-focused and non-bureaucratic. However, Defra has a huge task to ensure a lead agency and national framework are in place to start delivering its policy based on public goods.**

**90. *In response to this Report, Defra must assess which current public bodies are suitable to provide the coordination of its new environmental land management system. Given past performance of delivering rural payments and stewardship schemes, this must include an assessment of what additional skills and resources this body will require.***

## The role of regulation

91. The consultation paper notes that outside of the Common Agricultural Policy the Government will be able to set its own regulation and enforcement mechanisms. It proposes moving away from disproportionate enforcement that can heavily penalise some farmers for minor errors: “We can design an integrated inspection and enforcement regime that is more targeted and proportionate”.<sup>181</sup> Defra is already piloting approaches that are “outcome-focussed, risk-based and proportionate”.<sup>182</sup>

179 [Q294](#)

180 [Q316](#); [Q353](#)

181 Defra, [Health and Harmony](#), February 2018, p49

182 Defra, [Health and Harmony](#), February 2018, p49

92. Witnesses described to us the impact of withdrawing subsidies without having adequate regulations in place to prevent a ‘race to the bottom’, drawing on the experience in New Zealand in the 1980s. Angela Francis told us that light-handed regulation caused “devastating” environmental damage:<sup>183</sup>

[Intensified farming] led to a 30% increase in nitrates in the rivers. It led to e-coli in some water courses in the farming areas that had previously been swimmable and part of recreational use in New Zealand.<sup>184</sup>

93. Witnesses also stressed that it is vital to uphold a minimum regulatory baseline<sup>185</sup> as not all farmers will participate in the new environmental land management scheme.<sup>186</sup> Arlin Rickard from The Rivers Trust told us that the threat of enforcement can be enough to force action, but capital grants would also be needed to generate real improvements: “To be blunt, you need the threat, if you like, of enforcement to back up the voluntary measures. If those voluntary measures can be bought along with some supporting grant, either a capital grant or a revenue grant, then you can make progress very quickly”.<sup>187</sup>

94. Witnesses also stressed that there needs to be adequate resourcing for regulators, Tom Lancaster from RSPB told us: “If you do not enforce a regulation, you may as well not have it. [...] the Environment Agency does not have any resources at all to even advise on these rules, let alone enforce them”.<sup>188</sup> Arlin Rickard added that: “There is an element of self-regulation, but it still needs to be underpinned by an independent regulatory authority, like the Environment Agency, who currently do not have the resources or the political will to make them drive that forward”.<sup>189</sup>

95. We heard that civil sanction penalties could be utilised as another means to provide funding to deliver public goods. Arlin Rickard told us: “I would like to see those civil sanctions hypothecated into a catchment fund to do more work, to provide more advice and more support”.<sup>190</sup>

96. Defra proposes to maintain a strong regulatory baseline of standards that reflects the ‘polluter pays’ principle. Many witnesses supported this principle as without it the new system based on public goods will not work. Tom Lancaster told us: “If you do not have the ‘polluter pays’ aspect, [...] you will have pollution of water courses, loss of soils [etc.]. It will make the job of restoration through the provision of public goods all the harder”.<sup>191</sup> The CLA cautioned that the ‘polluter pays’ principle can be “extremely difficult to actually apply in the countryside when it comes to something like diffuse pollution”.<sup>192</sup> Others suggested that it must be adopted across all industries for fairness.<sup>193</sup>

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183 [Q95](#)

184 [Q95](#)

185 [Q71](#), Anglian Water Services ([HAH0016](#)), para 4

186 Friends of the Earth England Wales and Northern Ireland ([HAH0027](#)), para 4.7

187 [Q71](#)

188 [Q75](#)

189 [Q77](#) [Arlin Rickard]

190 [Q78](#) [Arlin Rickard]

191 [Q76](#)

192 [Q31](#)

193 Game & Wildlife Conservation Trust ([HAH0011](#)), para 5

**97. Ensuring an effective minimum baseline of regulation will be vital to delivering the Government's proposals to use public money to support public goods. Moves towards self-regulation and potential de-regulation following EU exit must not allow a 'race to the bottom'.**

**98. Without adequate funding to police an independent inspection regime, any system of 'public money for public goods' is flawed from the start. Separate from any increased funding made available to farmers and land owners to deliver public goods, the Environment Agency or equivalent public body must also receive a commensurate increase in funding to ensure public money is being legitimately spent under the new scheme; if needs be, a proportion of that increase could be funded through civil sanctions and fines to support a hypothecated catchment fund.**

## 5 Trade and labelling

99. The consultation paper states the Government will “adopt a trade approach which promotes industry innovation and lower prices for consumers”.<sup>194</sup> Many witnesses noted the inherent tension in the consultation paper between its proposals to enhance animal welfare and environmental standards in England whilst lowering prices for consumers.<sup>195</sup> The NFU told us there is a role for Government to ensure producers are not put at a competitive disadvantage from imported products produced to lower environmental and welfare standards:

It would be very difficult for our nation’s farmers to deliver high standards in terms of animal welfare, environmental responsibility and assurance, as we do now, and yet compete on a global market against competitors who do not have those standards.<sup>196</sup>

100. We heard mixed views on how farmers in England could be protected from this competitive disadvantage. Sustain and Compassion in World Farming suggested that food which does not meet UK standards should be disallowed or subject to higher import tariffs:

When negotiating new trade agreements it is vital that the UK insists on the inclusion of a clause permitting it to require imports to meet UK animal welfare standards. Alternatively, the UK could press for the ability to place differential tariffs on imports. Imports that do not conform to UK welfare standards would be subject to tariffs that are sufficiently high to safeguard UK farmers; imports that meet UK welfare standards would benefit from a low or zero tariff.<sup>197</sup>

101. Michael Taylor from Policy Exchange disagreed and said that there should not be what he described as an “artificial trade barrier”.<sup>198</sup> He suggested food produced to lower standards should be imported, with consumers given the choice of whether they want to purchase food produced to lower standards: “Consumers may judge that they do not agree with chlorinated chicken for whatever reason and, therefore, they choose not to buy it. What is wrong with that? It is consumer sovereignty”.<sup>199</sup> He added that minimum standards could be created, but that these should not artificially protect UK-produced food: “I agree we cannot let in absolutely everything, but you set a minimum above which you allow imports”.<sup>200</sup>

102. Angela Francis from Green Alliance told us that there should be transparency through labelling: “You can communicate all different sorts of features in terms of provenance and production standards”.<sup>201</sup> However she cautioned that it is not a complete solution as 60 per cent of food is processed and so can be difficult to label.<sup>202</sup> Which? told us that the

194 Defra, [Health and Harmony](#), February 2018, p62–63

195 [Qq124–125](#) [Angela Francis]; NFU ([HAH0022](#)), para 5.2; Friends of the Earth England Wales and Northern Ireland ([HAH0027](#)), para 2.4; Compassion in World Farming ([HAH0029](#)), para 4

196 [Q23](#)

197 Compassion in World Farming ([HAH0029](#)), para 2

198 [Q128](#)

199 [Q129](#)

200 [Q130](#) [Michael Taylor]

201 [Q148](#) [Angela Francis]

202 [Q107](#); [Q148](#) [Angela Francis]

Government has an opportunity to make it easier for people to choose products based on their origin through wider adoption of country of origin labelling. In our recent Brexit: Trade in Food Report we recommended that “the Government improve country of origin labelling following the UK’s departure from the EU [and] that the Government introduce mandatory method of production labelling”.<sup>203</sup>

103. We asked the Minister to clarify the statement that Defra will “adopt a trade approach which promotes industry innovation and lower prices for consumers”.<sup>204</sup> He told us that this will not necessarily undermine farmers in the UK as there are products we are not able to produce and drew on the example of citrus fruits:

There will be lots and lots of products and things that we do not produce at the moment, where currently there is a tariff wall of the EU that maybe keeps some of those prices higher, and where we would be free to do trade deals to buy in some of those products from other third countries at a price that is lower than the EU currently allows, so there will be instances such as that.<sup>205</sup>

104. The Minister told us that the UK will be able to set its own standards: “In my view, when it comes to trade deals, it would be quite possible to put together a trade agreement with, say, the US, where you would allow beef to come in if it met our standards”.<sup>206</sup> We pressed the Minister on the relationship between Defra and the Department for International Trade and how he will ensure that his approach is successful. He told us:

Defra will lead on agri-food negotiations, so all elements around sanitary and phytosanitary issues will be for Defra to lead on. DIT will deal with all other sectors and will have an overview of the whole deal. It is because food and agriculture is so complicated and so difficult—it is the reason why most trade deals fall apart in the end—that Defra will lead on the agri-food issues.<sup>207</sup>

**105. We welcome Defra’s involvement in agri-food trade negotiations and the Minister’s statement that a trade agreement which did not allow beef to enter the UK if it did not meet UK standards is “quite possible to put together”. We recommend that, in response to this Report, Defra clearly states that it is Government policy that trade agreements should always contain provision to prevent food which does not meet our environmental, animal welfare and food safety standards from entering the country.**

**106. We reiterate our previous recommendation that the Government improves country of origin labelling following the UK’s departure from the EU and introduces mandatory method of production labelling.**

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203 Environment, Food and Rural Affairs Committee, Third Report of Session 2017–19, [Brexit: Trade in Food](#), HC 348, para 133

204 Defra, [Health and Harmony](#), February 2018, p62–63

205 [Q366](#)

206 [Q358](#)

207 [Q362](#)

## 6 Devolution

107. Agriculture and environmental protection are competences devolved to the governments of Scotland, Northern Ireland and Wales. Although agricultural policies are agreed at the EU level, there is some discretion to vary Direct Payments to farmers and introduce separate rural development programmes. The consultation sets out the future for agriculture in England and does not reference potential changes in Scotland, Northern Ireland and Wales. Defra proposes that common frameworks will be established “where a common approach is required across the UK”<sup>208</sup> and these will respect the devolution settlements and democratic accountability of the devolved legislatures.

108. On this basis, four different agricultural policies could be adopted within the UK.<sup>209</sup> This is not inherently a problem. Witnesses told us agricultural policy should continue to be a devolved matter,<sup>210</sup> however they cautioned that there must be an element of regulatory alignment to retain the functioning of the UK single market. George Dunn from the Tenant Farmers Association told us:

What we would not want is to see England take a different approach on a regulatory matter that made Scotland decide not to trade food across that border [...] We need to be mindful that we live in a single market within the UK, and ensure that we protect that marketplace from a trading perspective, but also allow sufficient devolution for the policy framework. [...] We run the theoretical risk of having that type of arrangement where there are trade barriers between parts of the UK, because agricultural matters will be devolved, so we need to guard against that risk.<sup>211</sup>

109. The Soil Association similarly noted that common approaches would be helpful for animal health and welfare standards: “Given the trade across the devolved regions in livestock, common approaches to future animal health and welfare improvements would be helpful”.<sup>212</sup> The Poultry Council agreed “we want to see a level playing field with no possibility of divergence of standards that may affect movement of poultry meat or high-value breeding stock”.<sup>213</sup>

110. When it comes to designing new agricultural models in each country, such as payment for public goods, organisations suggested there could be more flexibility. Tim Breitmeyer, discussing Wales, said: “they [the Welsh Government] should have sufficient control over their own policy, particularly when it comes to the whole public goods model and the environmental side of it. I can understand that, because there are differing priorities there”.<sup>214</sup>

111. We put to the Minister that Scottish, Welsh or Northern Irish farmers may end up in receipt of greater financial support which could undermine farmers in England. He suggested that this would not occur due to state aid rules and an agreed UK framework:

208 Defra, *Health and Harmony*, February 2018, p60

209 Cardiff School of Law and Politics ([HAH0014](#)), para 15

210 Dairy UK ([HAH0024](#)), para 18

211 [Q48](#) [George Dunn]

212 Soil Association ([HAH0019](#)), para 37

213 British Poultry Council ([HAH0008](#)), para 43

214 [Q48](#)

The first thing to say is at a UK level we will have to comply with our WTO commitments, which set ceilings for aggregate market support, so intervention prices and that sort of thing. I think it is understood that that would need to be a UK agreed framework, because we have an international obligation. [...] We would all have to abide by those state aid and subsidy rules.<sup>215</sup>

112. We also asked the Minister how the course taken in England would affect the devolved settlements for Scotland, Wales and Northern Ireland. He told us that this will ultimately be a matter for the governments of those countries, but hinted at longer-term budgetary changes if such moves were taken:

This will be a matter for the Scottish Government and for the Welsh Government. Scotland and Wales will need to bring through their own Agriculture Bills. They will also need to set out how they want to design future schemes. [...] Of course we will have to have that discussion when we talk about how we allocate budget in the future. Michael Gove [the Secretary of State] has already made clear that he thinks that at some point we should have a review of allocations. We are not at that point yet, but it is something that we are exploring.<sup>216</sup>

**113. After exit from the EU, each constituent part of the UK will be able to determine its new agricultural policy to address its specific needs. There may be areas where a common approach is helpful, such as in determining standards for plant and animal health and welfare. Regulatory alignment in these areas will support the functioning of the UK single market. Where these UK wide agreements are made, they must be agreed, following consultation, and with the support of the Governments of the constituent parts of the UK.**

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215 [Q329](#)

216 [Qq327–328](#)

## Conclusion

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114. We welcome the level of ambition in Defra's consultation on the future for food, farming and the environment and support its aim to create a new funding model for agriculture based on using public money to pay for public goods. It should seek to deliver public support for the integration of managing the land for environmental benefits and profitable food production. We are however concerned at the absence of detail in the consultation. Too many central tenets of the policy remain unclear. Without clarity on funding, timing and delivery of the future agricultural policy, there is a risk that Defra's welcome ambitions will not be met. We look forward to receiving clarification and the opportunity to provide pre-legislative scrutiny well before the introduction of the Agriculture Bill.

## Conclusions and recommendations

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### Leaving the Common Agricultural Policy

1. The evidence from a range of agricultural businesses indicates that their sectors will face significant impacts from the proposed withdrawal of Direct Payments. The level of impact will vary by sector as the economics of each are so different. There are likely to be particularly damaging effects on grazing livestock, cereal and mixed farms and the withdrawal of support and any subsequent closures of businesses could have wide reaching impacts on the rural economy and its communities. As in our Brexit: Trade in Food report, we were disappointed that these impacts have not been thoroughly assessed by Defra on a sector-by-sector basis, to then inform future agricultural policy. (Paragraph 34)
2. *We recommend that Defra produces a thorough sectoral assessment of the withdrawal of Direct Payments in response to this Report. Production of this assessment will allow Defra to better target the additional support that will be required by small and medium-sized farms and businesses in especially vulnerable sectors.* (Paragraph 35)
3. We are concerned to hear that there have been minimal discussions between Defra and the Treasury over the future funding of the new agricultural policy. There was a legitimate fear among our witnesses that without early commitments to funding levels, well in advance of 2022, promises on funding levels following the transition period cannot be “guaranteed”. Any new stewardship scheme must be sufficiently resourced to achieve the Government’s commitments to restoring the natural environment. *The Government should commit, in response to this Report, to fully fund the future agricultural policy and ring-fence the funds that are released from the withdrawal of Direct Payments to fund the rural economy and the environment.* (Paragraph 36)
4. The consultation lacks specifics. We have noted above the absence of a thorough analysis of the effect of the withdrawal of Direct Payments and Defra’s seeming lack of urgency in ensuring guaranteed funding for agriculture after 2022. We trust that these weaknesses will be remedied in the Government’s response to this Report. (Paragraph 37)
5. *In addition, to promote clarity in English agriculture, we recommend that Defra confirms as soon as possible:*
  - *The timing and length of the “agricultural transition” period that gives farm businesses a reasonable time to plan and adapt;*
  - *the status of cross-compliance and “greening” conditionality during the transition period; and*
  - *that all existing environmental schemes will be supported to their completion.* (Paragraph 38)

### Increasing farm competitiveness

6. Productivity in agriculture is falling behind many of the UK's competitors and improving this will be vital to deliver on the Government's ambitions. As drafted, the consultation fails to address this and the other barriers limiting farm productivity. (Paragraph 57)
7. *We recommend that the Government produces a farm productivity plan by May 2019 at the latest. This could include, but should not be limited to:*
  - *A review of the requirement for the rationalisation of existing advice centres for the dissemination of independent evidence, advice and knowledge to improve on farm uptake of new technologies;*
  - *a thorough investigation of new tax breaks to assist farmers to invest in technology in conjunction with the measures already announced;*
  - *further details on what measures could be funded under capital grant support;*
  - *funded facilitation for farmers working together and leading projects;*
  - *closer work between Defra and DCMS to improve mobile and digital infrastructure which will be critical to the success and development of the rural economy; and*
  - *clarify the form and funding of the successor to the agri-tech fund.* (Paragraph 58)

### Public money for public goods

8. We heard widespread support for the inclusion of animal health and welfare within the new policy of public money for public goods. *We recommend that Defra commits to exploring how the funding of animal health and welfare as public goods could be achieved through trials during the agricultural transition period.* (Paragraph 75)
9. The consultation paper lacks discussion of wider food policy and has failed to link agricultural policy to wider public health goals and reducing diet-related diseases. *Healthy food makes a wider contribution to public health, which is in the public good and we recommend it should be supported as such under the new model of awarding payments to farmers.* (Paragraph 76)
10. *Defra should work to bring forward changes to Government Buying Standards to ensure greater use of healthy, affordable, British food in Government procurement. Defra should report back to us on progress in this area in six months' time.* (Paragraph 77)
11. We welcome the Minister's assurance that the new environmental land management scheme will look to extend the success of existing schemes, such as those accredited by UKAS, and involve a wide range of organisations with experience of delivering environmental stewardship. We are further pleased to hear that the new land management system will be delivery-focused and non-bureaucratic. However, Defra has a huge task to ensure a lead agency and national framework are in place to start delivering its policy based on public goods. (Paragraph 89)
12. *In response to this Report, Defra must assess which current public bodies are suitable to provide the coordination of its new environmental land management system. Given past performance of delivering rural payments and stewardship schemes, this must include an assessment of what additional skills and resources this body will require.* (Paragraph 90)

13. Ensuring an effective minimum baseline of regulation will be vital to delivering the Government's proposals to use public money to support public goods. Moves towards self-regulation and potential de-regulation following EU exit must not allow a 'race to the bottom'. (Paragraph 97)
14. Without adequate funding to police an independent inspection regime, any system of 'public money for public goods' is flawed from the start. Separate from any increased funding made available to farmers and land owners to deliver public goods, the Environment Agency or equivalent public body must also receive a commensurate increase in funding to ensure public money is being legitimately spent under the new scheme; if needs be, a proportion of that increase could be funded through civil sanctions and fines to support a hypothecated catchment fund. (Paragraph 98)

### Trade and labelling

15. We welcome Defra's involvement in agri-food trade negotiations and the Minister's statement that a trade agreement which did not allow beef to enter the UK if it did not meet UK standards is "quite possible to put together". *We recommend that, in response to this Report, Defra clearly states that it is Government policy that trade agreements should always contain provision to prevent food which does not meet our environmental, animal welfare and food safety standards from entering the country.* (Paragraph 105)
16. *We reiterate our previous recommendation that the Government improves country of origin labelling following the UK's departure from the EU and introduces mandatory method of production labelling.* (Paragraph 106)

### Devolution

17. After exit from the EU, each constituent part of the UK will be able to determine its new agricultural policy to address its specific needs. There may be areas where a common approach is helpful, such as in determining standards for plant and animal health and welfare. Regulatory alignment in these areas will support the functioning of the UK single market. Where these UK wide agreements are made, they must be agreed, following consultation, and with the support of the Governments of the constituent parts of the UK. (Paragraph 113)

### Conclusion

18. We welcome the level of ambition in Defra's consultation on the future for food, farming and the environment and support its aim to create a new funding model for agriculture based on using public money to pay for public goods. It should seek to deliver public support for the integration of managing the land for environmental benefits and profitable food production. We are however concerned at the absence of detail in the consultation. Too many central tenets of the policy remain unclear. Without clarity on funding, timing and delivery of the future agricultural policy, there is a risk that Defra's welcome ambitions will not be met. We look forward to receiving clarification and the opportunity to provide pre-legislative scrutiny well before the introduction of the Agriculture Bill. (Paragraph 114)

## Formal minutes

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**Wednesday 23 May 2018**

Members present:

Neil Parish, in the Chair

John Grogan                      Angela Smith

Dr Caroline Johnson        Julian Sturdy

Kerry McCarthy

Draft Report (*The future for food, farming and the environment*) proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 114 agreed to.

*Resolved*, That the Report be the Sixth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 6 June 9.15am

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Wednesday 14 March 2018

**Guy Smith**, Deputy President, National Farmers Union; **Tim Breitmeyer**, President, Country Land and Business Association; **George Dunn**, Chief Executive, Tenant Farmers Association [Q1–57](#)

**Richard Hebditch**, Government Affairs Director, National Trust; **Tom Lancaster**, Principal Policy Officer for Land Use, Royal Society for Protection of Birds; **Arlin Rickard**, Chief Executive, The Rivers Trust; **Ellie Brodie**, Senior Policy Manager, The Wildlife Trusts [Q58–86](#)

### Wednesday 18 April 2018

**Dr Ben Caldecott**, Senior Associate Fellow, Bright Blue; **Angela Francis**, Chief Economist, Green Alliance; **Michael Taylor**, Economics Research Fellow, Policy Exchange [Q87–152](#)

**Tim Bennett**, Chairman, Centre for Innovation Excellence in Livestock; **Fraser Black**, Chief Executive Officer, Crop Health and Protection; **Professor Simon Blackmore**, Head of Robotic Agriculture, Harper Adams University; **Tom Hind**, Chief Strategy Officer, Agriculture and Horticulture Development Board [Q153–192](#)

### Wednesday 25 April 2018

**Professor Janet Dwyer**, Professor of Rural Policy, University of Gloucestershire and Director of Countryside and Community Research Institute; **Phil Stocker**, Chief Executive, National Sheep Association; **Jilly Greed**, co-founder, Ladies in Beef; **Peter Dawson**, Policy and Sustainability Director, Dairy UK [Q193–248](#)

**Peter Stevenson**, Chief Policy Advisor, Compassion in World Farming; **Vicki Hird**, Sustainable Farming Campaign Co-ordinator, Sustain; **Professor Tim Lang**, Centre for Food Policy, City University; **Helen Browning**, Chief Executive, Soil Association [Q249–289](#)

### Wednesday 2 May 2018

**George Eustice MP**, Minister for Agriculture, Fisheries and Food, Department for Environment, Food and Rural Affairs; **Guy Horsington**, Deputy Director for Future Farming Policy and the Agriculture Bill, Department for the Environment, Food and Rural Affairs [Q290–366](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

HAH numbers are generated by the evidence processing system and so may not be complete.

- 1 Agricultural Biotechnology Council ([HAH0028](#))
- 2 Agricultural Christian Fellowship ([HAH0046](#))
- 3 Anglian Water Services ([HAH0016](#))
- 4 Arla Foods UK ([HAH0045](#))
- 5 Asplins PO Ltd ([HAH0023](#))
- 6 British Association for Shooting and Conservation ([HAH0010](#))
- 7 British Ecological Society ([HAH0032](#))
- 8 British Poultry Council ([HAH0008](#))
- 9 British Veterinary Association ([HAH0007](#))
- 10 Cardiff School of Law and Politics ([HAH0014](#))
- 11 Chartered Institution of Water and Environmental Management ([HAH0009](#))
- 12 Compassion in World Farming ([HAH0003](#))
- 13 Compassion in World Farming ([HAH0029](#))
- 14 Country Land and Business Association ([HAH0042](#))
- 15 Crop Protection Association ([HAH0006](#))
- 16 Cycling UK ([HAH0013](#))
- 17 Dairy UK ([HAH0024](#))
- 18 Ernest Cook Trust ([HAH0041](#))
- 19 First Steps Nutrition Trust ([HAH0039](#))
- 20 Food Foundation ([HAH0018](#))
- 21 Friends of the Earth England Wales and Northern Ireland ([HAH0027](#))
- 22 Game & Wildlife Conservation Trust ([HAH0011](#))
- 23 Guildford Business Forum Rural Group ([HAH0033](#))
- 24 Institution of Environmental Sciences ([HAH0025](#))
- 25 Mr Andrew Mycock ([HAH0034](#))
- 26 Mr John Dumont ([HAH0001](#))
- 27 National Pig Association ([HAH0021](#))
- 28 National Sheep Association ([HAH0030](#))
- 29 NFU ([HAH0022](#))
- 30 Provision Trade Federation ([HAH0043](#))
- 31 RSPCA ([HAH0002](#))
- 32 Soil Association ([HAH0019](#))
- 33 Sport and Recreation Alliance ([HAH0031](#))

- 34 Sustain: the alliance for better food and farming ([HAH0004](#))
- 35 The Campaign to Protect Rural England ([HAH0026](#))
- 36 The National Trust ([HAH0005](#))
- 37 UK Pesticides Campaign ([HAH0038](#))
- 38 Which? ([HAH0020](#))
- 39 Wildlife and Countryside Link ([HAH0012](#))
- 40 Woodland Trust ([HAH0015](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2017–19

First Report	2 Sisters and Standards in Poultry Processing	HC 490
Second Report	Pre-Legislative Scrutiny of the draft Animal Welfare (Sentencing and Recognition of Sentience) Bill 2017	HC 709
Third Report	Brexit: Trade in Food	HC 348
Fourth Report	Improving air quality	HC 433
Fifth Report	Performance of the Rural Payments Agency	HC 887
First Special Report	Food waste in England: Government Response to the Committee's Eighth Report of Session 2016–17	HC 444
Second Special Report	Forestry in England: Seeing the wood for the trees: Government Response to the Committee's Fifth Report of Session 2016–17	HC 445
Third Special Report	Feeding the nation: labour constraints: Government Response to the Committee's Seventh Report of Session 2016–17	HC 446
Fourth Special Report	Post-legislative scrutiny: Flood and Water Management Act 2010: Government Response to the Committee's Sixth Report of Session 2016–17	HC 447
Fifth Special Report	2 Sisters and Standards in Poultry Processing: Government Response to the Committee's First Report	HC 772
Sixth Special Report	2 Sisters and Standards in Poultry Processing: Food Standards Agency Response to the Committee's First Report	HC 861
Seventh Special Report	Pre-Legislative Scrutiny of the draft Animal Welfare (Sentencing and Recognition of Sentience) Bill 2017: Government Response to the Committee's Second Report	HC 984
Eighth Special Report	Brexit: Trade in Food: Government Response to the Committee's Third Report	HC 1021
Ninth Special Report	2 Sisters and Standards in Poultry Processing: Food Standards Agency Response to the Committee's First Report	HC 1070