

**Open Report on behalf of Richard Wills,  
Executive Director for Environment and Economy**

Report to:	<b>Environment and Economy Scrutiny Committee</b>
Date:	<b>10 April 2018</b>
Subject:	<b>Food, Farming and the Environment: DEFRA Consultation on future farming policy</b>

**Summary:**

In February of this year, The Department for Environment, Food and Rural Affairs released "**Health and Harmony: the future for food, farming and the environment in a Green Brexit**", a consultation paper considering the future for agriculture, land based businesses and the wider food chain.

The Common Agricultural Policy (CAP) has shaped farming and other land based businesses during the last 45 years and significantly impacted on connected sectors, this consultation document provides the opportunity for responders to help shape the future of these industries.

This paper highlights a number of key areas covered in the consultation document and provides some initial thoughts around priority issues, opportunities and challenges that are emerging.

The consultation closes on Tuesday 8 May 2018.

**Actions Required:**

Members of the Environment and Economy Scrutiny Committee are invited to consider and comment on the report and:

- 1) Provide guidance to inform the context of the County Council's response to DEFRA's consultation on future farming policy, and;
- 2) Endorse that the Executive Councillor for Economy & Place, in consultation with the Chairman of the Brexit Working Group, respond formally to the DEFRA consultation on a future farming policy.

## **1. Background**

### **Agriculture, more than an economic contribution**

In line with the government's new 25 year environment strategy, the paper recognises value beyond direct economic outputs and considers the "natural capital" generated by the sector. Natural capital forms part of a suite of "public goods" including: a rich social and cultural heritage; the protection and enhancement of the character of our historic landscapes; biodiversity and

environmental provision; climate change mitigation; innovation and development which provide consumers with better, safer, cheaper food; and animal disease surveillance and control. It is public good alone that will attract funding support in the future.

As well as the potential opportunities to incentivise positive behaviours, encourage business to invest in new technologies and improve self-reliance, the document also considers how negative behaviours will be addressed with a "polluter pays" approach and highlights the environmental damage caused historically by agriculture.

### **The transition period**

The paper sets out the need to move away from the current Basic Payment Scheme currently in place during a transition period. The way in which this is achieved will have significant impacts for the sector. Proposals range from a simplified version of the current system during the transition period to a far more radical approach where payments are made to current recipients, using a base year, regardless of whether they continue to farm during the period. This latter option, truly severing the connection between subsidy and production, could enable structural change in a sector where age profile, lack of succession planning and limited opportunities for new entrants are major issues.

The impact on land rents and land values is also a consideration. Current high rents and land values are seen as a limitation to new entrants as well as to those who wish to expand and as distorting the market, potentially reducing efficiencies and innovation.

### **Preparing for the longer term**

Promoting the food sector as a career choice is a theme raised in this document and the Environment Strategy. The development of skills and knowledge in the sector is vital. At a time when drivers such as: artificial intelligence, robotics and autonomous vehicles, could transform global food production through precision farming. In line with the government's approach to AI, robotics and autonomous vehicles generally, there is a desire to see the UK leading the world in these fields. Simultaneously, the government sees a role for farming in developing and exploiting more niche markets both at home and abroad. Again skill sets and knowledge will need to be cultivated to drive new growth within this area from production to the point of sale.

In terms of a strong market for products, the agricultural community needs government to recognise the importance of the food production sector and to help it to strengthen the markets where it is strongest, and also to innovate into valuable market areas (eg exporting or health foods). Entering new markets is only partly about sales, it is largely about having good quality, innovative, and adaptable products. Furthermore, new markets can also be domestic and the domestic market should not be under-estimated.

It is clearly essential that the transition period is used to prepare those who wish to continue in the sector to develop their business and to be clear about their ambitions. Support to enable this future planning is essential. Furthermore, the need to attract skills and talent to the sector is also recognised. Consideration must be given to how those who would not normally engage with the skills agenda can be encouraged to do so.

Less well understood is the role of migrant labour in the food sector going forward. The Migration Advisory Committee has been commissioned to provide advice on the economic and social impacts of Brexit, Defra's paper states that the department will carefully consider the report's findings. In Lincolnshire we know that a number of employers, of varying scale are already reporting recruitment issues where there had previously been a surplus.

In the longer term the government proposes to achieve its outcomes through a new environmental land management system which will be the cornerstone of their agricultural and land management policy. Financial support to farmers and land managers will focus on: the delivery of substantial environmental improvements, securing public and business benefits from the farmed environment. Other public goods could include animal welfare, promoting agricultural productivity, public access, and supporting rural and upland resilience.

The government seeks to see a culture change in land based businesses, with a more open approach to sharing, and co-operative structures. This approach will come more naturally to some parts of the industry than others and some businesses due to scale will be more attuned to this agenda.

## **2. Conclusion**

### **Further considerations**

Lincolnshire has a world leading food production sector, rooted in and supported by talented individuals and organisations. This sector is critical to Lincolnshire's economy. It is therefore essential that we respond strongly to the consultation document. Lincolnshire County Council has a strong relationship with the sector; they tell us that in order to thrive they need strong market certainty for their products and skilled labour to implement their business strategies. Going forward we need to establish how the sector can best be supported to continue to grow.

The transition period will inevitably bring uncertainty. However, business will need to use this period of change, during which there will be some subsidy support, to develop a future vision and business plan. Government policies will need to support this via a cross government department approach considering the whole industry.

It is vital that a strong policy link is made between agriculture, food production, energy, and landscape. At the moment the consultation indicates that the policy will focus most heavily on agriculture. The authorities' response should also refer to the more holistic nature of the sector and consider issues from field to fork.

This is not simply a rural issue: the UK has a strong "food value chain" not only located in rural communities. Even in Greater Lincolnshire, a predominately rural area with the largest agri-food production sector of any LEP area, over 70% of food businesses are located in areas classed as "urban" by government statistics.

Rural communities are not simply where people who work in agri-food live. They are communities that add substantial value to the UK's economy and they should be seen as just as important to the economy as cities. Businesses operating in rural communities need access to the same facilities that businesses operating in towns and cities have; poor mobile phone and broadband coverage is simply not acceptable in 2018. The document doesn't address these issues, but this technology is vital for all rural businesses to thrive in the future.

**3. Consultation**

Meetings of the councils Brexit Working Group, and the Lincolnshire Forum for Agriculture and Horticulture will be held during March/April 2018 to analyse the DEFRA proposals for future farming policy

**a) Have Risks and Impact Analysis been carried out?**

N/A

**b) Risks and Impact Analysis**

N/A

**4. Background Papers**

Document title	Where the document can be viewed
Consultation - The future for food, farming and the environment	<a href="https://www.gov.uk/government/consultations/the-future-for-food-farming-and-the-environment">https://www.gov.uk/government/consultations/the-future-for-food-farming-and-the-environment</a>

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