

Open Report on behalf of Keith Ireland, Chief Executive

Report to:	Environment and Economy Scrutiny Committee
Date:	30 October 2018
Subject:	The Agriculture Bill

Summary:

Following the publication of the Health and Harmony Command Paper in February 2018 and the subsequent consultation period, the **Agriculture Bill** was published on 12 September.

The Agriculture Bill should be viewed through the lens of the **25 Year Environment Plan** and alongside the **National Industrial Strategy** and the development of the **Local Industrial Strategy**.

Lincolnshire County Council responded to the Health and Harmony Command Paper, Defra's consultation paper, working with key stakeholders across Lincolnshire, as well as elected members through the Brexit Working Group and the Environment and Economy Scrutiny Committee.

Actions Required:

The Environment and Economy Scrutiny Committee is invited to:

1. Consider and comment on the report; and,
2. Support the development of an action plan in partnership with stakeholders, which will outline Lincolnshire County Council's activities in relation to the Agriculture Bill, for consideration at the November meeting of the Environment and Economy Scrutiny Committee.

1. Background

Agriculture Policy Objectives

The **Common Agricultural Policy** objectives, centre on increasing agricultural productivity, ensuring a fair standard of living for farmers, stabilising markets, and ensuring the availability of supplies and reasonable prices for consumers. In order to meet the modern objectives of agriculture and land use, subsequent European legislation has introduced substantial environmental and climate objectives into this policy, yet income support remains the primary objective.

The new **Agriculture Bill** (the Bill) takes a distinctly different approach. There is no reference to income support. Instead, 3 core objectives can be inferred:

1. Financial Assistance for natural resource management
2. Exceptional Assistance in the event of market disturbance
3. Supply Chain Assistance to provide competition law exemption and contractual relations controls.

Natural Resource Management or Public Money for Public Good

The Bill provides the policy direction for farmers, agribusiness and land managers in a post (CAP) policy environment. Previous CAP reform decoupled the link between subsidy and production; the Bill will remove the link between land and subsidy.

The current Basic Payment Scheme and higher level environmental schemes ("Direct Payments") will be phased out by 2027. In the future public money will be linked to "public goods" such as better air and water quality, improved soil health, higher animal welfare standards, public access to the countryside and measures to reduce flooding. This policy is based on the delivering the 25 Year Environment Strategy.

Also in line with the 25 Year Environment Strategy is a strong focus on net environmental gain and the polluter pays principle – which connects to the review of the enforcement framework for land use going forward

It should be noted that the production of food is not classed as a public good. This has created significant comment by the sector. Many sector organisations have been campaigning for the Bill to explicitly support domestic agriculture to ensure food security and stability of food supply. As such it is argued that high quality; high welfare food production should be considered a public good.

The End of Subsidy Payments

The current system of "Direct Payments", pays farmers and land managers, based on the total amount of land farmed. The top 10% of recipients currently receive almost 50% of total payments, the bottom 20% receive 2%. The government intends to change this as the current system favours the largest landowners and because payments are not linked to any specific public benefits.

This will be controversial and challenging for some larger farms and agribusiness in the County who feel that subsidy has allowed them to drive innovation and scale has allowed the development of successful businesses. However, they may also be in a position to be early environmental scheme adopters going forward.

The monies currently allocated for agricultural subsidy will be ring fenced for the lifetime of this parliament only. This adds a further level of uncertainty as although monies will be available going forward for "public goods" the level and longevity of funding is uncertain.

The Environmental Land Management System

The new "Environmental Land Management System", will be developed from 2019 through a series of trials and further research. Under the new system, farmers and land managers who provide the greatest environmental benefits will secure the largest rewards. Lincolnshire County Council may have a role to play in the development of these schemes.

Research and Development

The Command Paper had a significant focus on technology and innovation. Similarly the Bill includes measures to increase productivity and invest in research and development. In particular there is an appetite for co-operative learning and innovation. The government will also make payments during the seven year transition period for farmers to invest in new technologies and methods that boost productivity. These payments may take the form of a loan.

The Transition Period

The current payment system will be used for 2019 and 2020. An agricultural transition period will then follow between 2021 and 2027 as Direct Payments are gradually phased out and new schemes are opened.

All farmers will see some reduction to their payments from the start of the transition period (2021), those who receive the highest payments will see bigger reductions initially.

Delinking

The idea of generating churn, enabling succession planning and enticing new entrants was a theme of the Command Paper. To achieve this Direct Payments during the agricultural transition period will be "delinked" from the requirement to farm the land.

The Government expects these delinked payments, to be calculated according to money received in previous "base" year(s), to be used by farmers to invest in their business, diversify their activities or else retire from farming to enable new entrants to the sector. Concern remains that in reality this money will continue to be used to enable farming businesses to break even. Stakeholders, including local authorities may have a role in helping businesses to prepare during the next decade, to help the sector evolve before 2027.

Supply Chain Transparency

The Bill also sets out how the government will strengthen transparency in the supply chain to help farmers get a better deal in the marketplace. The focus of this is to ensure an appropriate reward at the farm gate for producers.

Impact for Lincolnshire and the County Council

The agriculture and food sector makes up 20% of Lincolnshire's economy. 12% of England's food is grown in Greater Lincolnshire and the agri-food sector employs 75,000 people. Under the current regime, Lincolnshire farmers and landowners

benefit from around £128m of subsidy per annum¹. Many farms report that without subsidy payments businesses would make a loss annually.

Lincolnshire County Council property portfolio includes 185 freehold and 30 leasehold County Farms tenancies. Clearly significant uncertainty exists regarding the impact of Brexit and the Bill: the impact on tenants; the effects on farm rents and changes to land values will be closely monitored by the authority.

Therefore, the County Council has a leadership role: working with key stakeholders to better understand the needs of the sector going forward; this role may evolve into a delivery or intervention role going forward to support the sector; furthermore, the authority has a role as a land owner, investor and land lord.

2. Conclusion

The Agriculture Bill has passed its Second Reading in the House of Commons and now moves to the Committee stage.

The Bill will be supported by related legislation and government policies, such as the aforementioned Environment Strategy, due to be introduced as an Environment Bill in 2019 and Industrial Strategy but also work regarding a food strategy.

An action plan considering impacts of the Bill for Lincolnshire and potential areas of activities for Lincolnshire County Council will be brought to the November meeting of the Environment and Economy Scrutiny Committee.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Not Applicable

b) Risks and Impact Analysis

Not Applicable

4. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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¹ RPA figs for 2016