

From: NFU Government & Parliamentary Affairs Office

Date: 9 June 2010

## Coalition Policies & NFU Comment

This briefing is an initial look at the policies and programme of the new Coalition Government, as set out in its 'Our Programme for Government' document and the Queen's Speech.

It remains to be seen how individual Liberal Democrat and Conservative manifesto commitments will be melded together into coherent policy-making, but there appears to be **broad agreement** on some of the main food and farming issues the NFU focussed on during the election campaign. So, for example, farmers and growers can expect action on: a supermarket ombudsman, clearer (honest) food labelling and addressing **bovine TB** presence in wildlife (by authorising the culling of badgers).

### Deficit reduction and economic recovery

- This dominates the whole agenda. The Coalition Government agrees that reducing the (£156bn) deficit and continuing to ensure economic recovery is the most urgent issue facing Britain. Most of the deficit reduction will be achieved by spending cuts rather than tax rises. The outcome of comprehensive spending review will be published in the autumn. It will cover the four years 2011/12 to 2014/15, the whole of this parliament. The Government plans to consult widely during the review.

*NFU Comment: the Conservatives had proposed a ratio of cuts to tax rises of 4:1 and the Lib Dems 5:2. It is not absolutely clear where the agreed balance will lie – somewhere in the middle? The level of deficit reduction needed is in the order of £70bn a year. Just to put that into perspective, Defra's entire budget is around £3.3bn. Defra will not be spared tough cuts, nor will other programmes benefiting agriculture and horticulture. As David Cameron made clear in his 7 June speech, "the decisions we make will affect every single person in our country. And the effects of those decisions will stay with us for years, perhaps decades to come."*

- The Coalition has already announced 'modest' spending cuts of **£6bn within this financial year** (2010/11). Most spending cuts are to be achieved from 'efficiency' savings (e.g. cuts in central government advertising and consultancy spend), but not all. We have already seen programmes cut. For example, the Department of Energy & Climate Change's Low Carbon Buildings Programme has been axed (this was a source of interim grant support for renewable energy heating, pending the - still to be firmed up - introduction of the Renewable Heat Incentive in 2011).
- An **emergency budget** will be presented on 22 June. On the cards are: an increase in **Capital Gains Tax** on non-business assets (up to rates closer to those applied to income); an increase in the standard rate of **VAT** (perhaps to 20%, more or less the European average), balanced by a rise in the personal allowance for income tax. Any increase in the **climate change levy** would be a concern, as would be any extension to the coverage of VAT (by removing the zero rating that applies to many food products). Equally, the removal of reliefs and **capital allowances**, as part of a package that sees headline Corporation Tax rates cut, could hit farming businesses hard.

*NFU Comment: We acknowledge that the scale of action needed to reduce the deficit is extraordinary and will impact across every area of government. But, for the NFU, protecting the competitiveness of the food and farming sector is paramount and we will resist cuts or charges which impact on that competitiveness. There are two main reasons. First, the challenge of ensuring food supplies for the UK and the rest of the world is simply too serious for us to countenance any measures that impact on the ability of the industry to meet the challenge. And, secondly, the recovery of the economy is the co-priority for the Government; farmers and growers want to play their full part in that recovery, something which will not be possible if their competitiveness is reduced by money-saving or tax-raising measures.*

The NFU has sent a detailed budget submission to the Chancellor (available on NFU Online).

## Supermarket Ombudsman

- The Coalition is committed to introducing, as a first step, an **Ombudsman within the Office of Fair Trading**. The Ombudsman will proactively enforce the new Grocery Supply Code of Practice and curb abuses of power, which undermine farmers and act against the long-term interest of consumers. DBis is currently studying the responses to its recent consultation on the Ombudsman before making its final decision.

*NFU Comment: The NFU has been actively pushing for tighter controls on supermarkets for over a decade. As regards the Government's proposal to embed the Ombudsman within the OFT, the NFU believes that although that may be attractive in terms of cost-savings, establishing a new body which will be proactive in its investigations, robust in its enforcement and able to protect the anonymity of claimants would be preferable.*

## Food security, procurement and labelling

- It is unclear at this stage whether the new coalition government will stand behind the outgoing government's **Food 2030** strategy. Defra and food chain groups (including the NFU) are still working on implementation plans.

*NFU Comment: From the NFU's point of view, it is a useful hook on which to hang initiatives, liaise with other parts of the food chain and keep domestic food production capacity high on the agenda across government. Both incoming parties have stressed the global food security challenge and the Conservative in particular are committed to seeing the decline in domestic production reversed. So, Food 2030 might yet survive as a flagship Defra strategy.*

- On **public sector food procurement**, the Conservatives have said they will require councils and NHS organisations to publish details of the food they buy and a code for sustainable food will be developed for the sector. At the same time they will require that for all new contracts, Whitehall departments and their agencies purchase only food that meets British standards of production, *wherever this can be achieved without increasing overall costs.*
- The Coalition is committed to honesty in **food labelling** so that consumers can be confident about where their food comes from. In their own general election manifesto, the Conservatives said that they would introduce legislation if necessary to achieve this, so as to "...ensure that meat labelled as 'British' is born and bred in Britain, and raised to our high welfare standards".

*NFU Comment: The NFU wants to see clear and unambiguous country of origin labelling made mandatory on meat, meat products and dairy products. Given that labelling is regulated at an EU level, this will need strong negotiation in Brussels on the part of the UK Government.*

## Animal Health

- On **responsibility and cost-sharing**, the previous government's draft Animal Health Bill has not been taken forward into the new Government's legislative programme. The Coalition has said that it will investigate ways to share with livestock keepers the responsibility for preparing for and dealing with outbreaks of disease.

*NFU Comment: The NFU has championed the sharing of responsibility in animal disease prevention and control, through a genuinely independent body. As things stand, there are no concrete proposals to develop legislation to create such a body. In the meantime, the Responsibility & Costs Sharing Advisory Group, under Rosemary Radcliffe, is currently working on proposals and is due to make recommendations to the Secretary of State before the end of the year on, among other things, how a new independent body might work. However, that does not make the Animal Health budget immune from cuts or the introduction of charges in the meantime (it is worth remembering, that a decision to impose charges e.g. for cattle passports, does not need primary legislation). Equally, separate discussions on bovine TB could see responsibility (and cost) sharing*

form part of a package of measures, including culling, aimed at moving towards the eradication of the disease.

- The Conservatives have pledged to introduce a new, **dedicated Border Police Force**. Among other things, it will take action to combat illegal imports of products of animal origin.

### CAP Reform

- The Coalition have agreed that they will strongly defend the UK's national interests in the forthcoming EU budget negotiations and that the EU budget should only **focus on areas where the EU can add value**. Both the Conservatives and the Lib Dems talked about reform of the CAP in their pre-election manifestos, with the Conservatives committing to push for (a) a shift of existing CAP resources to rural development, and (b) compulsory co-financing of the CAP by member states, thus reducing the cost of supporting other countries' farmers by British taxpayers.

***NFU Comment:** The NFU is concerned that the new Government's views on the future of the CAP could damage the competitiveness of UK farmers. The NFU's own policy on the CAP after 2013 was launched on 4 May in Brussels, and can be viewed on NFU Online. Central to the policy is a vision in which European agriculture can become much less reliant on public support. Until conditions are met which make this possible, a strong CAP which focuses on maintaining productive capacity, supports efforts of farmers to become more competitive and, above all, addresses the functioning of the market to make it fairer and more balanced, will remain essential.*

### RPA and SPS delivery

- In their pre-election 'Agenda for British Farming' the Conservatives promised to seek a **fundamental reform of the RPA** and to appoint the Minister for Farming as Chair of the RPA Management Board to ensure greater accountability and renewed focus on the need to deliver.

***NFU Comment** Sorting out SPS and mapping delivery is a top priority for our members in England, and we have serious concerns about 2010 payment delivery'. Fortunately, it has also been flagged up as a high priority in both Conservative and Lib Dem manifestos and during the election campaign. Farmers will be looking to the new Defra team to push through on their commitment. We are not sure yet how the Tory's 'fundamental reform' will tie in with the full-scale RPA review commissioned by Defra last summer (and yet to report). In any event, progress has to be made within increasing constraints on spending; it is difficult to imagine new money being made available for IT investments.*

### Regulation

- The Coalition document pledges that the new Government will cut red tape by introducing a '**one-in, one-out**' rule under which no new regulation is brought in without other regulation being cut by a greater amount.
- On the agriculture in particular, the Conservative 'Agenda for British Farming' promises that within three months, the Government will commission an **industry-led review** of all existing regulations, including cross-compliance, with a view to reducing burdens without compromising standards.

***NFU Comment:** These two commitments have, together, got to be good news and appear to be a genuine attempt to get burdens down. The legislation review will involve a lot of work across sectors, regions and teams, but provides an opportunity to have our say.*

- Again, according to the Conservative 'Agenda for British Farming', the overall focus of regulation will be on **outcomes rather than processes**, with the new administration trusting farmers to decide on the methods that best suit the conditions on their farm. The Coalition document talks about moving to a risk-based system of regulation.

***NFU Comment:** The implementation of the EU pesticides (sustainable use) directive will provide an early opportunity for ministers to apply this new approach, as they make decisions on e.g.*

## The voice of British farming

*mandatory **sprayer testing & neighbour notification** mechanisms (a Defra consultation on implementation ran through the general election period).*

- Ahead of the election, the Conservatives said they would also ensure that membership of a recognised **farm assurance scheme** results in fewer state inspections and that inspections are minimised through greater consolidation of inspections and improved information sharing.

*NFU Comment: Anyone who has worked on this kind of initiative will know how difficult it is to see gains in practice, but – again – the willingness is there to make this happen. It is an opportunity to cut costs, not just to farmers but to taxpayers too.*

### Climate change, energy & renewables

- Both parties have high ambitions for a ‘low carbon and eco-friendly’ economy. The Coalition Government has committed to:-
  - the establishment of a full system of feed-in tariffs in electricity, as well as the maintenance of banded ROCS (*that represents a shift on the part of the Tories, who had envisaged a replacement of ROCS in their energy manifesto*);
  - the introduction of a floor price for carbon;
  - measures to promote a *huge* increase in energy from waste through anaerobic digestion;
  - an increase renewable energy targets, subject to advice from the Climate Change committee.
- In line with these commitments, the introduction of an **Energy Security & Green Economy Bill** was announced in the Queen’s Speech.

*NFU Comment: The NFU is pleased to see a commitment to the delivery of greater levels of low carbon energy generation. Encouraging long term signals will increase investor confidence in land-based renewables, where farmers and growers can play a major role<sup>ii</sup>.*

*Rapid revision of the Feed-in Tariff incentive for small-to-medium sized **anaerobic digestion** plants is a key concern. It will significantly help deliver more low carbon electricity and heat services up to 2020 and beyond. The NFU hopes this is covered by the promised “huge increase in energy from waste through anaerobic digestion”, assuming this includes farm-based AD plants using agricultural ‘waste’ (90 million tonnes of manures/slurries) as well as waste-management mixed-feedstock AD.*

*Increasing the government commitment to **renewable heating** is imperative, since there are few other low-carbon options, and farmers can contribute to supply chain opportunities for biomass fuels such as energy crops and straw.*

*The NFU believes that **biofuels** will continue to be strategically and commercially important for heavy vehicle transport, even if, as the Government say, light road vehicles begin to switch towards electrification beyond 2020. The only replacement option for liquid fossil fuels will be bio-based liquid fuels which are of strategic importance in reducing our dependence on foreign oil sources and reducing the growing emissions in transport (vital if we are to meet GHG reduction targets). Biofuels from sustainable sources in UK agriculture offer important carbon savings, fuel replacement options and valuable co-products such as high protein oil meals and distillers grains which will help to reduce reliance on imported protein sources. Biofuels will be the only energy solution that will be required to meet high standards of sustainability and carbon savings, mandated by European law.*

### Environment

- On **habitats**, the Coalition envisage “measures to promote green spaces and wildlife corridors in order to half the loss of habitats and restore biodiversity”. A Government White Paper is expected soon. The NFU will be fully involved in ensuring that farming and food production interests are taken into account in any future schemes. Meanwhile, cuts in current environmental spend are very much on the cards. Natural England have, for example, announced a **reduction in the RDPE** budget for

### The voice of British farming

2010/11, which will affect e.g. the number of new in-year capital works it can offer within existing agreements this year.

- **Coastal Access:** With the passing of the Marine & Coastal Access Act 2009, the Government now has a duty to provide public access around the coast of England. The Coalition has affirmed its commitment to ensuring that the conservation measures set out in the Act are implemented effectively, but is silent on how quickly it will progress the coastal path.

*NFU Comment:* Given that the Act does not impose a timetable for the roll-out of the coastal path, we believe there are good grounds for postponing further work, at least until the public finances are in better shape. According to conservative estimates, the roll-out of the path will cost £50m, a figure the NFU believes is a woeful under-estimate (and before maintenance costs even start to be considered). Meanwhile, some 70% of the coast is already accessible to the public.

## Localism

- In line with both parties' election commitments, the new Government is to bring forward a **Decentralisation and Localism Bill**. This is the centrepiece of the Government's drive to devolve greater powers to councils and local communities, who will be given much more control over housing and planning decisions.

*NFU Comment:* As of today, the future of individual Regional Development Agencies is not absolutely clear. The proposed creation of 'Local Enterprise Partnerships' to replace them raises questions about how the Rural Development Programme for England would be delivered following reorganisation. **RDAs will deliver approximately £600m of the RDPE budget through to 2013.**

*It is essential that disruption is minimised as part of any transition from RDAs to LEPs. From an RDPE perspective, the least disruptive route is to continue delivery at the regional level through RDAs as far as possible. If the transition to LEPs is likely to be complete before the end of the programme, alternative delivery methods must be considered carefully. Transferring delivery to an existing body capable of delivering at the regional level would appear the most sensible option in the absence of RDAs. The potential delivery of the current RDPE at a local level is worrying. The NFU is concerned that devolving delivery of RDPE to Local Enterprise Partnerships would exaggerate the costs and time involved in programme delivery, embedding current flaws into future delivery mechanisms.*

*On other issues there is a major concern about how returning "decision-making powers on housing and planning to local councils" will work in practice. There are many in the development industry who see this as a **NIMBY's Charter**.*

*If the Government has clear policy objectives such as increasing the number of AD plants and food production, how will they ensure this is translated into practice? The Coalition has committed to publishing and presenting to Parliament "a **simple and consolidated national planning framework** covering all forms of development and setting out national economic, environmental and social priorities". Will this guidance be sufficiently robust to ensure local authorities will have to take it into account or will localism prevail? If the latter there is a danger that the larger buildings needed for modern farming practice (such as polytunnels) will not get planning permission.*

## Employment

- The abolition of the **Agricultural Wages Board**, after some 90 years, must be on the cards. It was a Conservative manifesto pledge and something the NFU called for in its election manifesto. *From our point of view, this is one of those actions which would (a) make the industry more competitive and (b) reduce public spending (est. £500,000pa).*

- **Non-EU economic migration.** The Coalition document talks about a cap on non-EU immigration (a Tory pledge, and a concession on the part of the Lib Dems), and the Queen's Speech re-iterated the commitment to limit the number of non-European economic migrants entering the UK.

*NFU Comment: The continuation of the **Seasonal Agricultural Workers Scheme (SAWS)** is one to watch. The latest position is that the 21,250 annual quota will be kept in place for 2010 and 2011. The Conservative 'Agenda for British Farming' pledges specifically to ensure that "arrangements are in place which reflect the importance to the economy of seasonal agricultural labour".*

### Rural Broadband

- The new Government is committed to seeking to introduce **superfast broadband in remote areas** at the same time as in more populated areas. If necessary it will consider using part of the TV licence fee to fund broadband in areas that the market alone will not reach.

*NFU Comment: The NFU is encouraged by the Government's commitment. Many farmers are hampered by limited access to a technology that many in urban areas increasingly take for granted. If farming and other rural businesses are to play their full part in the economic recovery they need to have the same **access to information and e-services** as their urban counterparts.*

*Approximately one quarter of farmers use dial-up services, which is reflected in some 20% of farmers believing that a better internet connection would encourage greater use of computers on-farm. However, the NFU believes that this figure underestimates the problem. Logic says that individual users will find it difficult to spot a slow broadband connection when they have little chance to compare connection speeds. The seemingly ever-growing gap between urban and rural connection speeds does give rise to a number of concerns.*

### Quangos

- The commitment to **rein in quangocracy** has figured strongly in both parties' campaigns. The Conservatives have set out their three key tests for whether a quango should exist: 1) does it deliver a technical function (e.g. the nuclear installations inspectorate), 2) is it needed because of its impartiality (e.g. the research councils), or 3) is it needed to provide accountability and transparency (e.g. the Government's new Office for Budget Responsibility)?

*NFU Comment: Farmers will probably be pleased to see some action taken to trim down Defra quangos in particular. But we also need to be aware that these bodies deliver services and payments to the industry. It is all well and good saying that e.g. Natural England should be abolished, but the question of who then carries out these farmer-facing functions (managing ELS, issuing wildlife licences etc) would need to be dealt with. Mergers could, however, be on the cards.*

*Many press commentators tend to lump the levy bodies in with government quangos, but they are not the same thing. The levy bodies (HGCA, Potato Council etc.) are funded entirely by levy-payers rather than out of the public purse.*

<sup>i</sup> The RPA's 2010-11 performance targets, set by Hilary Benn earlier this year, require the RPA to have paid 85% of 2010 SPS claimants by 31 December this year and 95% by value of valid SPS claims by 31 March 2010; these are more ambitious targets than those set for 2009 claims.

<sup>ii</sup> The Committee on Climate Change has recommended ~90% decarbonisation of electricity generation by 2050, so targets such as 50% renewable electricity by 2030, 75% by 2040 would not be unreasonable.