

Policy Statement

Next Steps for agricultural policy – a new deal for society

SUMMARY

March 2017



KEY MESSAGES

- We see agricultural policy as being comprised of three key elements – it should (1) enhance the **productivity** and competitiveness of farm businesses, (2) recognise and reward the **environmental** goods that farmers deliver, and (3) mitigate **volatility** where it impacts their commercial viability.
- The balance of these three elements – the extent to which the policy will emphasise productivity, environmental or volatility measures – will be dependent on the deal the government achieves with Brexit.
 - If the government secures a **free trading arrangement with the EU**, ensures UK farmers are not disadvantaged by **future trade deals outside the EU**, and ensures the **industry's labour needs** are met, then we can consider an ambitious new policy involving a wide range of measures which focus on productive, resilient, sustainable and profitable farm businesses.
 - If we get a **bad deal for farming**, then measures to manage volatility - such as direct payments - will remain vital to help farm businesses compete in an uncertain world.
- **Direct payments** are currently a key measure aimed at volatility mitigation. While we welcome a discussion about a world with no direct support, government must invest in farming's future to ensure we have access to the tools to enable us to get there. In the meantime, direct payments are the most important way to manage volatility for farm businesses.
- This outcome from Brexit will also dictate the pace at which we move from the current system to a new agricultural policy. It is vital that the government sets out **transitional arrangements** at an early stage to ensure continuity and certainty for farm businesses when we leave the EU.
- We believe that farming should **maintain current levels of public investment** through this new policy framework, but recognise that in the future this may be delivered in different ways, directly or indirectly to farmers, for instance through fiscal incentives, environmental schemes or ensuring farmers benefit from cutting edge developments in R&D.
- We recognise that the pattern and practice of farming varies across the UK, and that agriculture is a devolved issue. However, our discussions with other UK farming unions tell of a wish to see an agreed **common framework for agricultural policy**.
- The NFU is now working on its detailed vision for a future domestic agricultural policy.



Introduction

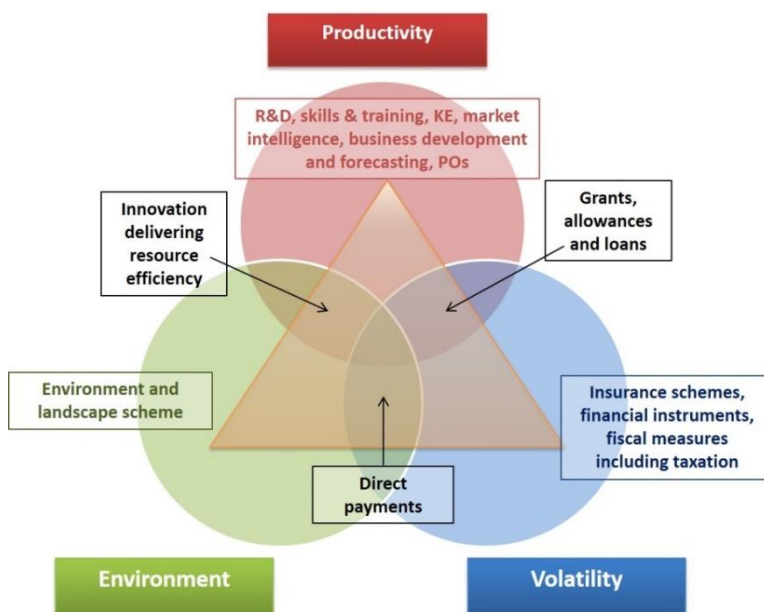
This paper summarises our proposed framework for a future agricultural policy, and the transition needed to introduce a new approach. The new deal we argue for should strive to provide farm businesses with the incentives, support and means to become more productive and resilient, and to better meet the expectations and needs of society at large. It will involve a range of measures we believe will achieve this aim, helping farmers manage future volatility while improving their productivity, protecting and enhancing the environment. We take a pan-industry approach, but recognise the opportunity to examine the specific challenges for each sector and to ensure the overall policy is flexible enough to meet the needs of all parts of the industry.

It is important to recognise that this framework does not attempt to encapsulate each and every issue that may impact on agriculture in the coming years. We will continue to focus on the challenges Brexit poses in terms of trade, labour and regulation outside this framework, although they are closely inter-related and developments in each will impact the other. Furthermore, it will be crucial that we continue to work with government in creating the right conditions for farming to thrive, for instance through better planning laws, broader investment in R&D, vastly improved rural broadband, emphasis on developing markets both here and abroad, succession planning and support, and many other important areas which NFU considers a vital part of the “day job”. Nevertheless, our proposals for a new agricultural policy must remain streamlined, focused and deliverable by government in the short timeframe available.

Three cornerstones of a new agricultural policy

Brexit is an opportunity not only to design a policy to fit UK farming’s particular needs and conditions, but also to construct a multi-faceted framework with different instruments targeted at different issues. To facilitate the development of this policy framework, we see agricultural policy as being formed of three constituent parts:

- **Productivity** measures and business resilience
- **Volatility** mitigation measures and management tools
- **Environmental** measures



Farm businesses should be able to draw down bespoke assistance from across a range of measures within each of these three cornerstones, potentially in different proportions depending on both individual and wider economic circumstances. Crucially, these measures are not mutually exclusive; they all work together to enable farming to be competitive, profitable and progressive and an integral part of a dynamic UK food chain.

The voice of British farming

Although every effort has been made to ensure accuracy, neither the NFU nor the author can accept liability for errors and or omissions. © NFU
Policy Directorate/Brexit Policy Statement/March'17

NFU supported by



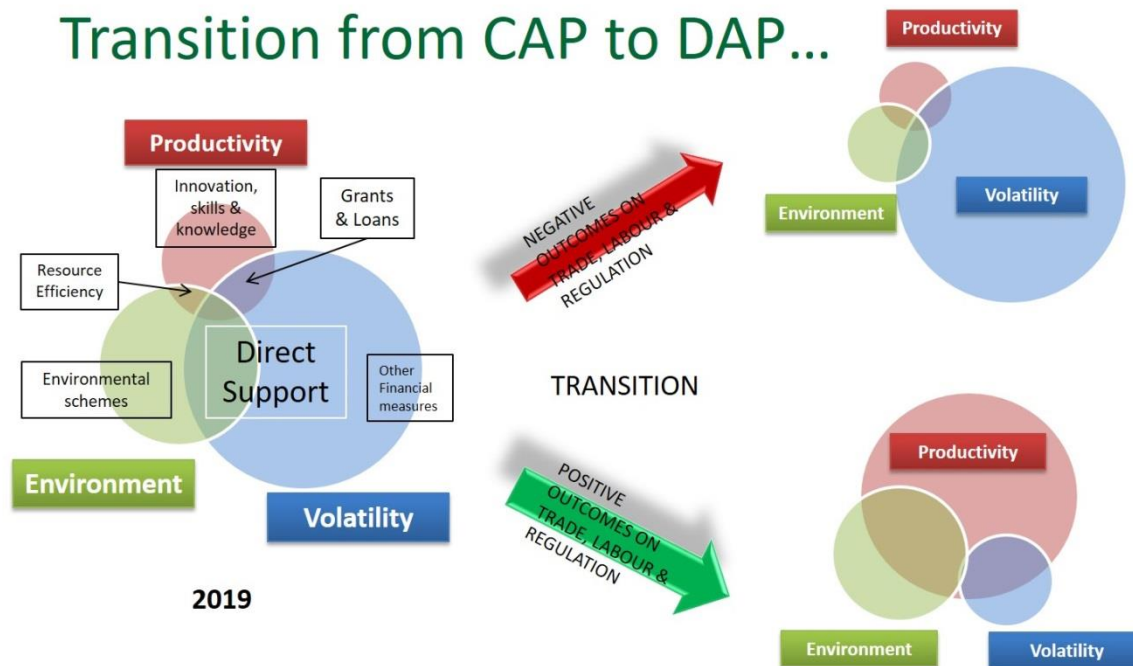
NFU Mutual



Transition to a new agricultural policy

The Government has stated that it wants to deliver a smooth exit from the EU and that it wants to “avoid a disruptive cliff-edge”, acknowledging the potential need for phasing in any new arrangements. We believe it is crucial that transitional arrangements are agreed at an early stage to ensure continuity and certainty for farm businesses when we leave the EU.

We envisage moving towards a new domestic agricultural policy over a period of years. By including a range of measures under the three policy cornerstones, we can ensure a flexible framework that takes into account micro- and macro-economic factors. For instance, if government policy on issues like trade, regulation and labour allows farming to flourish, we can develop a new and bold domestic agricultural policy, that works for both farmers and society at large, and that builds a more productive, competitive and progressive agriculture. Emphasis could switch from basic measures designed to mitigate volatility to more targeted measures that promote productivity, improve technical knowledge and the uptake of technology, and protect the environment. Conversely, emphasis would remain on volatility mitigation if government fails to back farming in its Brexit settlement.



We believe that farming should maintain current levels of public investment through this transition. However, in future this may be delivered in several different ways, directly or indirectly to farmers, for instance through fiscal incentives, environmental schemes or ensuring farmers benefit from cutting edge developments in R&D.

In order to minimise disruption at the moment we leave the EU, we believe there should be a gradual transition from the current structure of farm support to a new agricultural policy over a period of years. Exactly how many will depend on a number of variables, including the future shape of the CAP and the support framework of farmers in the EU; the shape of future trade agreements with the EU and subsequently third countries; and other policy priorities of the UK government such as immigration and access to labour. Sensible transition arrangements must be established as a priority, providing certainty for farmers and minimising disruption when we leave the EU, alongside a detailed and distinctive plan for establishing a new domestic agricultural policy in the longer term.

The voice of British farming

Although every effort has been made to ensure accuracy, neither the NFU nor the author can accept liability for errors and or omissions. © NFU
Policy Directorate/Brexit Policy Statement/March'17

NFU supported by



NFU Mutual



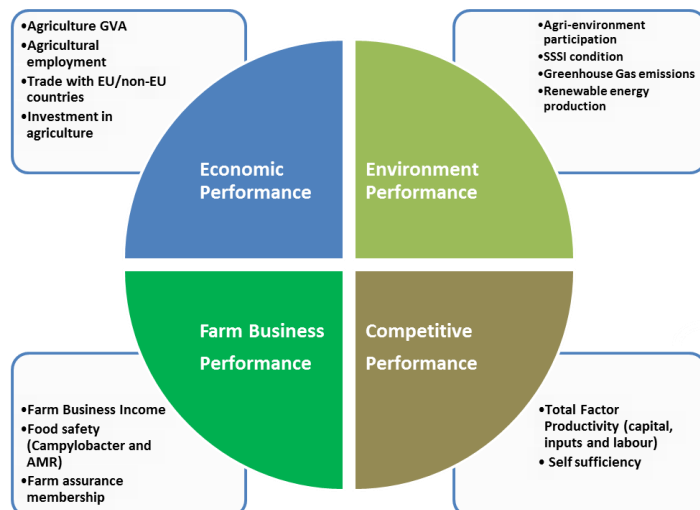
Devolution

Agricultural policy is a devolved issue, as are other areas of legislation key to the farming community. We recognise that the pattern and practice of farming varies across the UK, and that flexibility in policy approaches should take this into account. However, our discussions with other UK farming unions tell of a wish to see an agreed common framework for agricultural policy. In the months ahead we urge Governments in all parts of the UK to work together with the farming industry to achieve this common framework for post-Brexit farm policy.

Measuring performance

The NFU is developing a set of measures of farming's performance across the outcomes society values and needs. Our aim is for a 'balanced scorecard' under four broad headings, containing several measures within each section.

We are now working on the detail of each measure – its definition and source, trend to date and ambition for the future. Rather than set a definitive target for each we aim to propose a direction of travel conscious that uncertainty over Brexit could blow the best meant intentions off course.



Next Steps for the NFU

- To develop further our vision for a future domestic agricultural policy under different scenarios (i.e. where the emphasis lies between the cornerstones, depending on wider economic circumstances flowing from the Brexit settlement).
- To develop further the specific proposals on the measures we believe should be made available within each of the three cornerstones
- To identify the requirements for a regulatory and legal framework covering transitional arrangements at the moment of Brexit, ensuring certainty and continuity for farmers, while allowing for future development of a new policy framework.
- To agree principles for a common UK framework that acknowledges the potential for flexibility between the devolved nations.
- To develop further the metrics under our balanced scorecard