

NFU's vision for a future Domestic Agricultural Policy: A Framework for Success

Introduction

The NFU set out its [vision for a future domestic agricultural policy](#) in March 2017. The NFU has followed that up with detailed proposals for a post-Brexit agricultural policy that will ensure government investment in UK farming means a profitable, productive and competitive future for farmers and growers.

To facilitate the development of a future domestic agricultural policy, the NFU is proposing a framework formed of three distinct constituent parts (cornerstones): measures to 1) enhance the sector's **productivity**, 2) to help farmers better handle market and income **volatility**, and 3) to enhance positive **environmental** outcomes from farming.

The NFU sets out the case for bespoke measures **across all three cornerstones** and identifies a number of government actions that are vital in delivering a bold and ambitious future for the sector post Brexit. The absence of focus on any of these cornerstones would necessarily undermine delivery across the other two. Farm businesses should be able to draw down bespoke assistance from across a range of measures within each of these cornerstones. Crucially, the outputs from these measures are not mutually exclusive; they all work together to enable farming to be competitive, profitable and progressive – **a sustainable partner** within a dynamic British food supply chain.

The NFU has also set out proposals for the transition from the current regime under the Common Agricultural Policy (CAP) to a new domestic policy that is designed, agreed and implemented with UK farmers at its heart.

Volatility

Extreme price volatility weighs particularly heavily on farm businesses. It impacts on farm profitability and squeezes cash-flow, which in turn impacts on working capital. As a result, farmers are less able to efficiently manage farm operations in the short term, may have to delay or cancel much needed investment on-farm, and may reduce their willingness to undertake long-term commitments to environmental schemes.

Farm business income from agriculture in the years 2010-2016 has moved an average of 76% year on year for cereal farmers and 74% for dairy farmers. Few other sectors of the economy experience such extremes of volatility. It is clear that with the rollercoaster of farm gate prices many farmers would not be able to continue in business without current levels of volatility protection offered by the CAP.

Volatility mitigation measures under a future domestic agricultural policy are **vital**, and should seek to provide a resilient and relatively stable income profile upon which farmers would have the confidence to invest in productivity as well as to deliver high quality British food for British consumers, whilst continuing to uphold high environmental and animal welfare standards.

Productivity

There is an increasing gap in agricultural productivity growth rates between the UK and other developed nations. If this trend continues and our growth stagnates, British farmers will lose pace with international competitors. It is essential not to narrowly define improving agricultural productivity as simply producing more.

The **benefits of improving farm productivity are many and extend far beyond the farm gate**, amounting to far more than simply “higher yields” or “greater volumes of product. Productivity gains can deliver a reduction in greenhouse gas emissions, better management of nutrients and more space for nature. Increased efficiencies will help reduce costs and improve profitability, in turn helping businesses better handle market volatility, allowing stable investment and provision of jobs.

The NFU is proposing a **comprehensive programme of measures** that aim to enhance agricultural productivity, including measures that facilitates the uptake of research, development and innovation, incentivises (e.g. grants and loans) to encourage the uptake of farm technologies, tailored skills and training initiatives, and an advisory service that aims to improve the competitiveness of farm businesses and support sustainable practices.

Complementing the bespoke agricultural productivity programme, there are a number of areas where government policy can go further by **creating an environment that is conducive** to improved productivity within agriculture. These include a supportive planning policy, recognition of the strategic importance of the sector within the industrial strategy, favourable fiscal and monetary policy, funding for R&D on a par with our international competitors, a regulatory environment that is fit for purpose and a wider trade and business environment that allows farming to flourish.

Environment

Over the past 30-40 years, British farmers have carried out a huge amount of work to encourage wildlife, benefit soil and water and mitigate their impact on the climate. During this time there has been **substantial engagement** by farmers with voluntary agri-environment schemes. At its highest level, 70% of agricultural land was in environmental stewardship. However, a combination of policy changes, complex scheme design and under resourcing of delivery has led to a fall in uptake of agri-environment schemes in recent years. A future domestic agricultural policy should seek to address these concerns and regain the high level of interest and goodwill felt amongst farmers.

Brexit offers the **chance for innovative thinking** for on-farm environmental management. With farming intrinsically linked to the natural environment, all the elements of the NFU’s vision for a future domestic agricultural policy will have some impact on the environment. To support an environmentally sustainable approach to farming there needs to be funding to achieve environmental objectives, and this forms the basis of the environmental cornerstone of our vision.

A farmed environment scheme should be a key feature of a future domestic agricultural policy. It should build upon the successes of the past, seeking to **voluntarily** engage all farmers in environmental delivery in every part of country, for a full range of environmental objectives. A first tier would be available across the country and for all farm types and sizes.

Options in this tier would be straightforward to comply with, delivering for landscape, biodiversity and the wider environment. A second tier would seek to achieve more ambitious environmental outcomes, with necessary conditions to ensure the more complex management required to support priority habitats and habitat creation. It can be tailored to local needs, with bespoke support to develop the best agreement. Both tiers would be complemented by a range of capital grants for the uptake of environmental investments.

Furthermore, the NFU is calling for new market approaches that may increasingly complement government environment schemes for farmers and in some cases provide a higher reward for meeting environmental objectives. Approaches such as Conservation Covenants, Biodiversity Off-Setting, Payments for Ecosystem Services and Carbon Credits are just a few examples of new markets that have recently emerged and with further encouragement and effective testing/piloting could continue to develop in future.

In the long term, new market approaches such as Payments for Ecosystem Services could provide farmers with a new stream of largely stable income that could be used to reinvest in their business, to improve productivity and to manage wider market volatility, but these need to be piloted and ground proofed first.

Transition

Across the UK, experience has shown that bold CAP reform decisions have often been implemented in a rush or in the absence of policy certainty, and have created significant delivery problems for agencies and delays to payments for farmers. Whilst it might appear attractive to make significant changes to the CAP legacy schemes on Day One of Brexit, the NFU feels there is a **balance to be struck** between regulatory stability and effective delivery on the one hand, and the ambition for tangible change and improvement on the other, particularly in light of wider political and economic uncertainties that may exist post Brexit.

This is why the NFU is proposing a **phased approach** to the introduction of a new domestic agricultural policy that seeks to deliver continuity and stability in the short term, whilst facilitating a bold and ambitious outcome in the long term. Through this transition, we expect the current and future governments to observe the current commitment to provide the same cash total in funds for farm support as is currently paid out under the CAP.

We would expect minimal changes in funding emphasis within the transition period given the wider political uncertainty. Furthermore, while we remain closely aligned to the EU's single market it is imperative that British farmers are treated fairly compared to their EU counterparts, ensuring a comparable level of direct support.