

Measures to address the current farming crisis

Farming is hugely important in economic and environmental terms. It provides high quality food, manages the countryside and is the bedrock of the rural economy. Many farmers are 'price takers' and prices they receive are often determined by supply and demand in global markets. Price volatility undermines the productive capacity of farms and there is a need to protect farmers from the worst excesses of this price volatility. While it is not possible to influence the laws of supply and demand, there are actions that should be taken across the supply chain to ease the current crisis, prevent farmers going out of business and, instead, realise their potential. The UK farming unions believe there are measures that should be taken in the short, medium and long term by the UK and devolved administrations in close collaboration with the EU institutions to address the problems facing the farming sector.

Easing cash flow difficulties and strengthening safety nets

- **Direct payments** through the CAP are paid each year in the UK from 1 December. This is the first year of the latest reform of the CAP, which has greatly increased its complexity and governments around Europe are struggling to complete the necessary processes on time. We urge UK ministers to press the Commission to ease the administrative controls that need to be completed so that these critical payments can be made from this date. The early payment of BPS is essential for the majority of farming businesses during the current crisis. An early payment is also essential to help the wider rural economy and allied industries that rely on a viable farming sector. We urge the European Commission to push ahead with the simplification agenda, delivering on flexibility, simplicity and fairness in the CAP.
- **Agri-environment and pillar 2 payments** are a key element of farm incomes and are critical for cash flow. We urge UK ministers to work proactively with the commission to allow payments to be made in early autumn, in line with previous years.
- **Intervention prices** in the dairy sector must be urgently reviewed. The intervention price for dairy products needs to increase to reflect the current higher costs of milk production and for the instrument to be an effective safety net for dairy producers – in line with the recent report from Jim Nicholson MEP looking at the implementation of the commission dairy package. This is expected to be at worst a cost-neutral move and it could be pre-financed from the EU budget using existing super-levy funding.
- There is potential for the **European Investment Bank (EIB)** to provide investment support for small and medium sized enterprises in the agriculture sector. We call on UK Ministers to work proactively with European colleagues, the commission and the EIB to urgently explore options for short term loans to provide immediate liquidity to farm businesses. We urge UK ministers to also explore options for long term investment support from the EIB for the benefit of the UK agriculture sector.

Injecting long term thinking and fairness into the food supply chain

- The UK farming unions are keen to explore the potential offered by **longer-term thinking in the dairy sector**. These include integrated supply chain contracts, forward contracts, fixed-margin contracts, and the opportunity to 'lock in' a milk price reflective of production costs for a set period of time. We urge UK and devolved administrations to work with their European colleagues and through the commission Milk Market Observatory (MMO) to explore all options as a matter of urgency.

- The **sheep sector is also facing significant problems**, and we urge UK ministers to push the commission to set up as a matter of urgency a special task force to advise them on ways to improve the sheep sector with a particular focus on market transparency. As Europe's largest producer of lamb, the UK should play a central role in this. The group should urgently examine areas such as access to new export markets (removing regulatory barriers such as measures connected to TSE's) and market transparency in the sheep sector, namely price reporting, grading and specifications. In addition, there is a need to revisit conditions applying to 3rd country imports to ensure relevance to the modern sheep meat trade, and the need for sensible levels of tolerance in regulatory controls on sheep producers.
- The UK is seen as leading light in Europe in dealing with **Unfair Trading Practices (UTPs) in the food supply chain** through the GSCOP and Groceries Code Adjudicator. We urge UK ministers to strongly engage at EU level with the commission on this issue, highlighting the UK example, ensuring the UK producers exporting into the EU have similar safeguards to those supplying UK retailers and pushing to stamp out UTPs across the EU – allowing UK producers to develop their businesses in a food chain that has a fair share of risk and reward for all those engaged in it. We believe the commission should also ensure that retail sourcing policies are in line with EU competition law, ensuring that sourcing from outside the EU does not contravene EU regulation and unfairly distort the market place.

Developing opportunities for UK produce and UK farmers

- **Country of Origin Labelling (CoOL)** is a big issue for farmers and consumers alike, and there are numerous examples of bad practice in the processing and retail sector. We urge UK ministers to work alongside their devolved and European colleagues to, where necessary; significantly strengthen CoOL labelling across all food lines. Such efforts will provide opportunities for UK farmers and food companies to market their products and for UK consumers to actively support them through their purchasing.
- Under the new promotion measures from the commission, **increased funding is available for the promotion of products from the agriculture sector**. We urge UK ministers to develop new and strengthened approaches to promoting UK produce in new markets both in the EU and in other countries.
- We believe that the **UK should be ambitious in its outlook for the farming sector**. UK ministers should strengthen investments in farming, research and innovation in order to strengthen resilience and competitiveness. The new European Innovation Partnership (EIP) for agricultural productivity and sustainability, funded through rural development, gives the opportunity for farmers to be directly involved in agricultural research. We urge UK ministers to proactively seek increased research funds from the Horizon 2020 EU research budget for the benefit of the UK agri-food industry.

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