

Circulation: NFU Online

Date: December 2016

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Biofuel – Importance to UK Agriculture

The Department for Transport (DfT) have released a consultation to gather views on the future of domestic biofuel policy. This consultation includes the UK's plan for introducing the controversial 'crop cap', which to limit the volume of crops used to produce biofuel.

The UK has committed to an EU wide target which requires that by 2020 a minimum of 10 per cent of transport fuel should be renewable. We have also made domestic commitments under the Climate Change Act to reduce the carbon intensity of transport. Following long debate it was agreed last year in Brussels that each member state is required to implement a crop cap of up to 7%, however the DfT are currently minded to set the UK cap much lower at 2%. It is therefore vital that during this consultation the agriculture community clearly demonstrates the importance of biofuels to UK farmers.

Key lobbying ask

1. Set the crop cap at 7%
 - The UK Government should follow decisions made in Europe and set the crop cap at 7%.
 - The biofuel market is a key outlet for UK arable production and when faced with volatile commodity prices it provides stability to arable farming incomes; hence it is vital for the market to remain open and incentivised. A low crop cap would further constrict the market, would not encourage any future investment in the industry and could risk the UK not achieving its domestic and European targets.

Background facts

- Oilseed rape is used in the production of biodiesel and currently c.40% of UK produced rapeseed is exported for biofuel production in other EU member states
- Wheat is used in the production of bioethanol and when running at full capacity UK production of ethanol utilises approximately 2.2m tonnes of wheat.
- Last year the UK had a 3mt feed wheat surplus that could have been used for biofuel and feed production, rather than for export.

The Co-product argument

- Crushing of rapeseed in the UK produces over 1m tonnes of high protein animal feed, around 25% of this is involved in vegetable oil exported for biodiesel processing
- Production of bioethanol produces c. 1m tonnes of high protein animal feed; this is enough to feed approximately 40% of the UK dairy herd.
- Currently the UK imports c.70% of its high protein feed, this is primarily soy based.

The cost of animal feed is the single largest item of expenditure recorded in a farms cost base and usage has remained broadly level since 1993¹, with prices primarily following world commodity prices. Hence the EU and UK reliance on imported protein has continued to drive up the price of animal feed for livestock production.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/430411/auk-2014-28may15a.pdf

A sustainable biofuels industry would play a vital role in narrowing this deficit, to the benefit of both livestock and arable producers; proving that biofuels are not a conflict of markets but instead are capable of providing *both* high protein feedstock's and low carbon fuels.

Managing price and production volatility

Market volatility has been widely documented with farmers constantly seeking ways to mitigate and manage the risk associated with producing a globally traded commodity. There is a general consensus that we need to double global food production by 2050 and in the face of rising input costs the biofuel market provides a stabilising influence on farm income. This security has given farmers and industry the confidence to make investment both on farm and in agricultural research; which has led to yield increases across the rotation through amongst other things the utilisation of new technology, the introduction of new crop varieties and an improved understanding of the natural rotation.

This has not only benefited the agriculture industry but has also contributed to the recovery of the British economy in the form of job creation and investment in the rural economy, often in the previously deprived area of the North East, Greater London and the North West.

If the biofuel market can no longer provide this security the UK could expect to see a reduction in agriculture research and job losses on farm, as well as within a wider supply chain, as farmers cut costs making a return to extensive farming systems.

Can first generation fuels make the necessary GHG savings?

Yes, first generation crop based biofuels represent a scalable and cost effective way to de-carbonise our economy, whilst helping us to meet our internationally agreed targets.

They more than make the necessary greenhouse gas savings and in fact the recent MIN-NO research project concluded that greenhouse gas (GHG) emissions from arable fertiliser use in the UK are 53% less than estimates currently used. This means that biofuels made from N-fertilised crops grown here in the UK are even more effective in reducing GHG than previously thought.

All crops entering the European biofuel supply chain are supplied through EU Commission approved voluntary schemes to ensure the sustainability criteria set out under the Renewable Energy Directive is met. In the UK all crops entering this supply chain do so under the Red Tractor Assurance scheme

Food vs Fuel – food prices

European and UK agriculture can produce food and fuel; the two are not mutually exclusive. A recent [report](#) from the International Food Policy Research Institute (IFPRI) concluded that food and energy security are complimentary goals, hence challenging the misconception that allocating land to grow crops that might be sold for alternative uses would cause an increase in global food prices.

In June 2015 a European Commission [report](#) concluded 'that they do not anticipate that the EU 10% renewable energy target for transport in 2020 to significantly impact global food prices and food affordability in developing countries.' Their analysis found that since 2008 there has been no common trend between biofuel production and commodity prices, and the two actually move in opposite directions.

If we were ever to enter a period of shortage crops earmarked for biofuel production could be easily and quickly reallocated into the food chain, hence they effectively act as a buffer. What the biofuel market does is give security to farmers that markets exist for their products and this confidence allows them to manage volatility and make better informed business decisions for on farm investment and budgeting