

To: Defra dairy team

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The NFU represents 55,000 farm businesses in England and Wales involving an estimated 155,000 farmers, managers and partners in the business. In addition we have 55,000 countryside members with an interest in farming and the country.

EU Exceptional Aid Package

Introduction

1. Thank you for the opportunity to input into your consultation into the use of the funds made available by the Commission under the exceptional aid regulation. We understand that, under the EU regulation, the €18.7 million allocated to England can be used to support milk producers and/or farmers in other livestock sectors who engage in one or more of the following activities that aim at fostering the economic sustainability of their holdings and that contribute to market stabilisation:
 - production reduction or not increasing production;
 - small-scale farming;
 - the application of extensive production methods;
 - the application of environmental and climate friendly production methods;
 - the implementation of cooperation projects;
 - the implementation of quality schemes aiming at promoting quality and value added;
 - training in financial instruments and risk management tools.
2. Defra have consulted on three possible schemes, these being:
 - a. A slurry cover grant scheme
 - b. Risk management training for farmers
 - c. Schemes to encourage smaller family farm pasture based extensive farm businesses.

NFU response

3. The NFU welcomes the Commission's aid package of €350 million which aims to support farmers to become more resilient in the face of extreme market difficulties such as the UK dairy industry has suffered over recent years.
4. English dairy farmers continue to suffer from the dairy downturn with the average farmgate milk price for August being only 21.34ppl. Milk prices have been slow to increase in comparison to wholesale prices and milk volumes are currently down around 8% on the year. There are many dairy farmers across the country who are struggling with short term cashflow and this will be amplified once cattle are housed for the winter period and costs escalate.
5. We would like to see the €18.7 million (equivalent to £16 million) allocated to England being used to support progressive, resilient and sustainable dairy farming. Whilst we understand that farmers would welcome a short term cash boost (as was the situation for the last package of EU national aid) we understand that EU regulation does not allow the allocation of money in that way.

NFU's preferred use of the Exceptional Aid Package

Animal Disease Control:

6. The NFU would support part of this money being spent to improve the health of the national cattle herd. This could be done through boosting the reach of current industry initiatives on TB, BVD and Johne's as well as taking into consideration other animal health issues that may impact on individual farms or geographical regions.
7. Examples of how the fund could be allocated are:
 - a. To pay for an annual herd health vet visit and the drawing up of a bespoke herd health plan
 - b. To pay for testing of cattle for BvD and Johne's
 - c. Compensating farmers for the optional removal of TB inconclusive reactors (Defra estimate this would cost £4-5 million)
 - d. Compensate farmers for the removal of PI animals, for example in the BVD scheme.

These could all be activated and allocated within the timeframe put forward by the Commission. This would help improve the health and welfare of the national herd and thus indirectly support a more productive, resilient and sustainable dairy industry. Maintaining and improving the health of the national herd is vital in ensuring that the UK is looked at favourably as a livestock trading nation, and this is even more important post Brexit when we seek to open new trade deals.

8. Animal health measure could be compatible with three of the activities listed by the Commission as eligible for aid, these being:
 - Application of environmentally friendly production methods - by having a healthier herd and improving productivity – thus reducing GHG emissions.
 - Production reduction – by removing cattle from the national herd.
 - Co-operation – the cattle sector working together to improve the health of the national herd.

Environmental measures:

9. The NFU supports the use of part of the Exceptional Aid Package to help farmers in reducing their environmental impact. That said we believe that Defra's proposal for only funding slurry store covers is too narrow and will not provide the best result for farmers or the environment. There are a number of ways farmers can manage their environmental impact on farm and so we believe having a list of options for farmers to choose would be the best way of allocating money within this measure.
10. Upcoming environmental challenges facing the farming sector include implementing the requirements of the National Emissions Ceilings Directive, a possible additional round of NVZ designations and also the need to continue to make improvements to our water environment to meet Water Framework Directive requirements. We believe that a menu type approach, offering a range of options, would help farmers address these challenges but would also increase the attractiveness of any scheme.
11. The EU Exceptional Aid funds could be used to support the purchase of:
 - a. Slurry store covers (fully funded)
 - b. Slurry separators (fully funded)
 - c. New or improved slurry storage facilities (possibly part funded)
 - d. Slurry acidification
 - e. Small scale AD units (part funded)
 - f. Low emission slurry spreading equipment (fully funded)
 - g. Rumination monitoring

- h. On farm analysis of feedingstuffs
 - i. Soil, slurry and manure testing
 - j. Concrete base for solid manure with leachate collection
 - k. Manure heap covers
12. With any of these options farmers should also be supported in producing an integrated nutrient and feed plan. The NFU believes all farmers should be eligible for support within this measure, be they within an NVZ area or not.
13. On a wider environmental front there are other measures that we would support including:
- a. Improved water management such as rainwater harvesting
 - b. LED lighting in cattle housing
 - c. Cow tracks (to improve soil structure and animal health)
 - d. Fencing of watercourses
14. We believe that this would be a better use of the Exceptional Aid Package than solely funding slurry stores as is written in Defra's original proposal.

Risk Management and Co-operation:

15. The NFU has fully supported the development of new risk management tools for dairy farmers and been encouraging milk buyers and co-operatives to provide mechanisms by which farmers can manage price risk. That said as yet very few processors have provided this option and so, the ability for farmers to manage their price risk within the supply chain is minimal.
16. Where we believe Defra could support risk management is in on farm benchmarking and the supporting the setting up of producer organisations, where farmers can work together to manage risk. This could be provided through similar mechanisms to the Princes Countryside Fund Farm Resilience Programme.
17. **Benchmarking:** To manage risk on farm farmers need to know their costs and have an idea of how they are faring in comparison to other farms in similar farming situations (ie scale, system, cattle breed, end product). There is definitely a need for training on financial planning/budgeting within the industry and supporting farmers in making the connection between business risk and financial management. To that end the NFU would support a national benchmarking database similar to that offered previously by AHDB Dairy. This fund could be used to fund bespoke one to one benchmarking sessions as well as focus groups where farmers could share information. This could be delivered by AHDB Dairy, farm consultants and/or farm accountants.
18. **Producer Organisations:** The NFU supports increasing farmer representation through the development of producer groups and producer organisations. We believe money could be spent in supporting the activities of these producer groups as well as helping in their setting up. Producer organisations can help in managing risk on behalf of their members through better negotiation with milk purchasers, managing and balancing milk supply and promoting and marketing end products.
19. **National Cattle Database:** The NFU would support the setting up of a national cattle database to bring together all cattle health and movement information. This would enable livestock data to be shared across the industry. A feasibility project has already been completed by AHDB and the aim would be to link existing cattle databases, and to act as a single search engine to facilitate data exchange between Government, industry and commercial databases across Great Britain. This would support risk based trading and could include data sets such as genetic information, additional disease data, carcass based data (grading & disease information), antimicrobial usage and animal productivity data.

The NFU is not convinced by Defra's third proposal – a scheme to encourage smaller “family farm” pasture based farm business.

20. There are currently no industry agreed definitions of small, “family farm” or pasture based dairy businesses so we struggle to see how this scheme could be implemented. We do however believe that farms of all scales and systems have been impacted by the dairy market downturn and should be supported to the same level.

21. AHDB Dairy already provide advice and support for dairy farmers in all systems – we would like to see more funding provided for knowledge transfer in business resilience and benchmarking rather than a narrow focus on promoting one system ahead of another.

Conclusion

22. The NFU would support the vast majority of the EU Exceptional Aid Package being used to support animal health and environmental improvements in the UK cattle sector.