

# VISION FOR THE FUTURE OF FARMING



# A NEW DOMESTIC AGRICULTURAL POLICY

Delivering for farmers and for the public

## INTRODUCTION

We are entering a critical new stage in the Brexit process. It is now nine months after the historic referendum result of 23rd June 2016, and the Prime Minister has now officially notified the European Council of the UK's intention to withdraw from the EU.

The negotiations on the terms of that withdrawal, and on the future relationship we will enjoy with the EU (and by extension the rest of the world), will now begin in earnest. We will start to get a clearer picture of the economic and political environment in which UK farming will operate.

The NFU and its members are clear; we must use this opportunity to create the conditions for a productive, resilient and sustainable agricultural sector. A future farming industry needs to meet the expectations of the UK public – producing safe and affordable food, looking after our environment and valued countryside and contributing to productive and robust economic growth.

We will seek progressive partnerships with governments across the UK to achieve this goal alongside our work with all those who share our ambition for a thriving farm sector.

We have identified four key priority policy areas which, if we get them right, will help us meet those ambitious aims: trade, labour, agricultural policy and regulation. Over the coming weeks, as the Brexit negotiations get underway, we will set out our core principles and expectations of government across each of these.

This policy statement, the first in our series of Visions for the Future of Farming, focuses on domestic agricultural policy. It sets out the approach government and industry must take to support and invest in UK agriculture once we have left the EU and are no longer governed by the Common Agricultural Policy (CAP). This complements our objectives for the trade, labour and regulatory issues which together form the essentials of a successful sector.

# WHY FARMING MATTERS

We recognise that the referendum result, which will impact UK agriculture more than any other part of the economy, has led to much debate and discussion as to how and why we should harness public policy and public investment to support our farm sector.

The answer is clear: farming matters to Britain. It matters not only because of the range of economic, social and environmental benefits it delivers, but also because of the risks that the country faces from a farming and food system that functions poorly.

## British farming delivers:

- **A safe and affordable domestic supply of food, which British people trust. Without this domestic production we would undermine our food security, relying on imports produced to different environmental and welfare standards and under food safety systems over which we have no control**
- **Our cherished local countryside and the environmental benefits the public value so much. Farmers are responsible for the upkeep of over 70% of the UK landmass**
- **Thriving rural communities. Providing jobs and driving rural growth both in food production and in diversified industries such as renewable energy and tourism**
- **The raw materials for a domestic food industry that employs over 3.9m people. This the UK's largest manufacturing sector which generates £108bn in value for the UK economy**

This is why the Government has a legitimate interest in working with the food and farming sector to boost productivity, to deliver improved environmental care and to assist farm business in managing the volatility from weather and markets that characterises the sector.

If Brexit leads to an outcome that undermines domestic agriculture, where farms struggle to make a profit and operate viable businesses, farmers will no longer be able to support their local communities and the wider economy. They will be unable to manage and enhance the environment they occupy or to produce adequate supplies of British food that the public enjoys and trusts.

## BRITISH FARMING:

**£12  
BILLION**

**Supplying safe, traceable food – Red Tractor assurance carried on £12bn UK food**

**£108  
BILLION**

**Delivering 61% of nation's food, underpinning £108bn food sector**

**476,000  
PEOPLE**

**Employing 476,000 people in rural areas**

**17.1 MILLION  
HECTARES**

**Managing 17.1m hectares 70% of the UK land area**

**£7.40  
FOR EVERY £1**

**Returning £7.40 back to the economy for every £1 of public investment**

# RATIONALE FOR A NEW POLICY FRAMEWORK

Once we leave the EU we will no longer be governed by a CAP designed for a continent stretching from Greece to Scandinavia and seeking to cater for all the varied types of agriculture in between. We will have the opportunity to develop a new deal for British farming - one in which farm businesses are provided with the incentives, support and means to become more productive and resilient, and to better meet the expectations and needs of society at large.

A new policy should involve a range of measures to achieve this aim, helping farmers manage future volatility while improving their productivity and 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, 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.

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## THREE CORNERSTONES OF A NEW AGRICULTURAL POLICY

**To facilitate the development of a future agricultural policy, we are proposing a framework 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 NFU is now working with others to develop the specific measures that could be made available under each of the three cornerstones. They might include:

**PRODUCTIVITY** measures to support efficient, competitive and resilient farm businesses. An ambitious productivity programme providing targeted investment, supporting research and development and incentivising adoption of technical advances would strengthen resilience within the farming. Measures could include the promotion of innovative farm technologies; supporting R&D alongside knowledge transfer and effective deployment on farm; the provision of training, advice and market intelligence; capital allowances and other fiscal measures which incentivise investment in infrastructure and equipment; and promoting business collaboration and risk management. Other measures that support the shift toward a low-carbon and climate-resilient economy and which encourage resource efficiency can further promote productivity while meeting the aims of the environmental cornerstone.

**ENVIRONMENTAL** measures to build on the environmental benefits which efficient and well-run farm businesses will naturally provide in their day to day operations. A broad farmed environment scheme could provide every farm business with the potential to contribute further to environmental protection and landscape management. It could be nationally orientated but regionally implemented and farmer led, with scope for engagement with the local community and voluntary groups to aid efficient delivery. Farmers should also be supported in the management of priority habitats with thought given to properly accounting for the value the public places on the environmental goods farmers deliver. We will continue to engage with the wide range of stakeholders developing policy in this area to design effective and deliverable measures for the environment.

**VOLATILITY** mitigation measures to alleviate the impact of farming's exposure to adverse weather, pests and diseases, price volatility and low bargaining power in an imbalanced supply chain. Measures should be accessible, adaptable and simple to administer and could involve insurance schemes underwritten by government or tax efficient deposit or loan schemes. Direct support measures will remain vital for the stability of some farm businesses. Many volatility measures will also involve aspects of productivity enhancement and resilience building.

# Productivity

R&D, skills & training, KE, market intelligence, business development and forecasting, POs

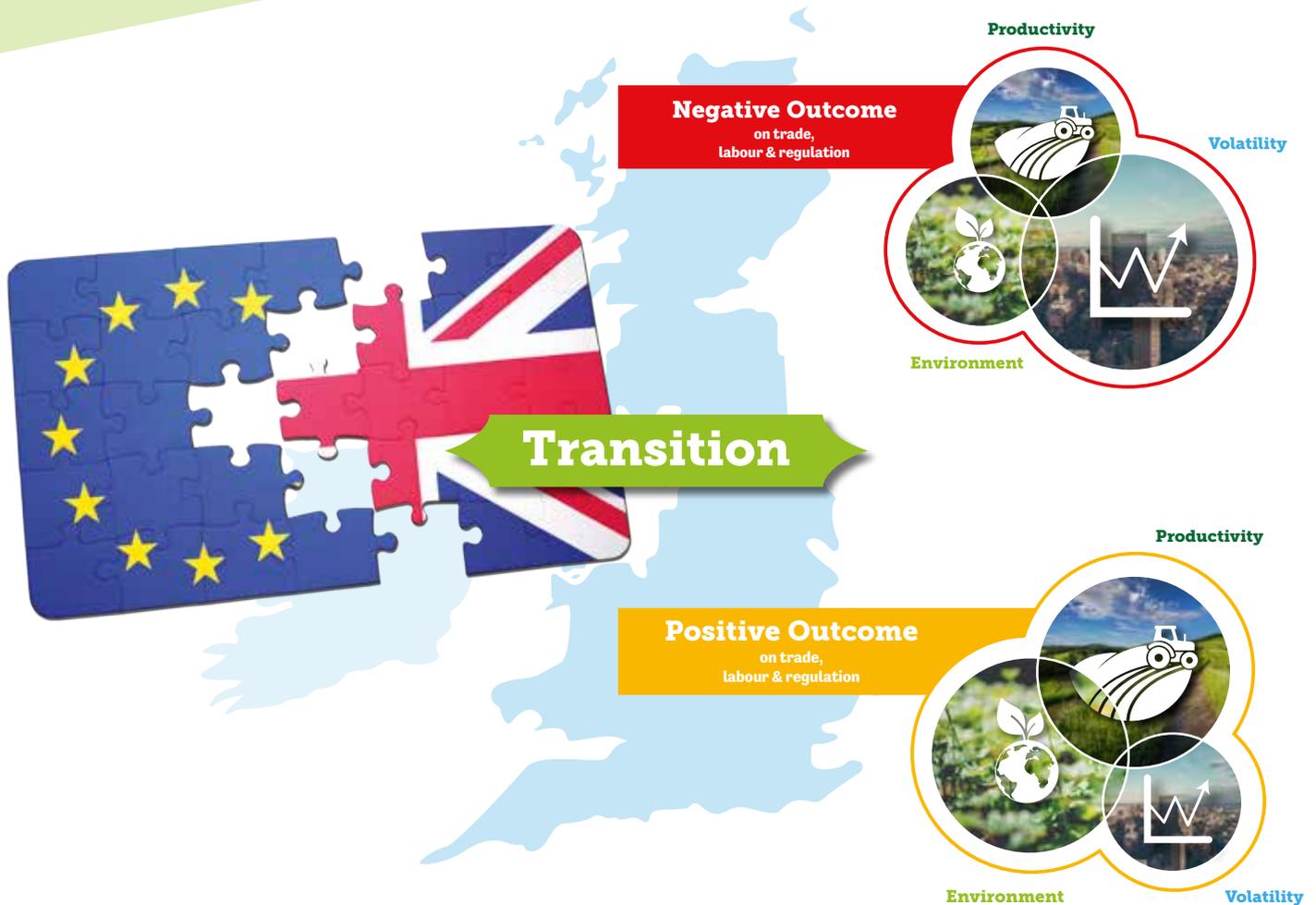


## Environment

Environment and landscape scheme

## Volatility

Insurance schemes, financial instruments, fiscal measures including taxation



## 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 which is suited to the specifics of our domestic farming sector that works for both farmers and society at large by building 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 current levels of public investment in farming should be maintained 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. The length of the transition period 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.

# 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.

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# 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.

- **Agriculture GVA**
- **Agricultural employment**
- **Trade with EU/non EU countries**
- **Investment in agriculture**

- **Agri-environment participation**
- **SSSI condition**
- **Greenhouse Gas emissions**
- **Renewable energy production**



- **Farm Business Income**
- **Food safety**
- **Farm assurance membership**

- **Total Factor Productivity (capital, inputs and labour)**
- **Self sufficiency**

## SUMMARY

- ✓ **Given the crucial value that farming delivers for the UK, the Government has a legitimate interest in supporting agriculture, thereby safeguarding the nation's food security, delivering environmental benefits, supporting rural communities, and enhancing the nation's economic wellbeing.**
- ✓ **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 we need and must recognise that 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.**

### Published by:

NFU  
Agriculture House  
Stoneleigh Park  
Stoneleigh  
Warwickshire  
CV8 2TZ

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