

**DELIVERING A BOLD AND
AMBITIONOUS FUTURE FOR FARMING**



DOMESTIC AGRICULTURAL POLICY

A FRAMEWORK FOR SUCCESS

Productivity



Environment

Volatility



FOREWORD

Since the vote to leave the European Union, the NFU has worked tirelessly to ensure that a healthy and vibrant future for UK agriculture is at the forefront of our politicians' thinking. British farming has much to be proud of. It provides 60% of the nation's food, supplying British consumers with healthy and affordable food produced to high standards they trust. It's the bedrock of the British food and drink industry, which is the largest manufacturing sector in the country, worth £109bn and employing 3.8million people. It is central to the rural economy and it manages the nation's countryside, covering 70% of the UK land area¹.

Brexit offers the opportunity for change, to build a bold and ambitious policy environment for the future. Our vision is simple. That competitive, sustainable and profitable UK farm businesses are central to a dynamic food supply chain. British farmers should deliver an increasing proportion of the nation's requirement for high quality, safe, affordable food, as well as developing new export markets. Alongside this, our farmers must be able to continue with sound environmental stewardship of the 70% of the UK land area they manage, and maintain their reputation for the highest standards of animal health and welfare.

The NFU set out its vision for a future domestic agricultural policy in March 2017, outlining three cornerstones – environment, volatility and productivity. This paper builds on that and presents detailed policy proposals across the three cornerstones that we believe should form the basis for a future domestic agricultural policy (DAP). Underpinning this document are three further detailed policy reports, one for each cornerstone, available on NFU Online. Our proposals come ahead of government plans to publish an Agriculture Bill in Parliament next year.

Given the right framework, I have no doubt that British farming can flourish outside of the European Union, but this is heavily dependent on the decisions taken by our government. Numerous impact assessments have shown the potential effect of different outcomes arising from Brexit, many of them negative for farming. Uncertainty is already weighing heavily on farmers' minds, lowering confidence and influencing investment decisions today.

It is vital that government sets out its intention for future agricultural policy at an early stage – including details of transitional arrangements in the immediate years following Brexit – to ensure continuity and certainty for farm businesses when we leave the EU. Be assured that the NFU will continue to work tirelessly on behalf of its members with Ministers, MPs and officials to deliver the necessary building blocks required to make our vision for a competitive, profitable and sustainable agricultural sector a reality.

Meurig Raymond
NFU President

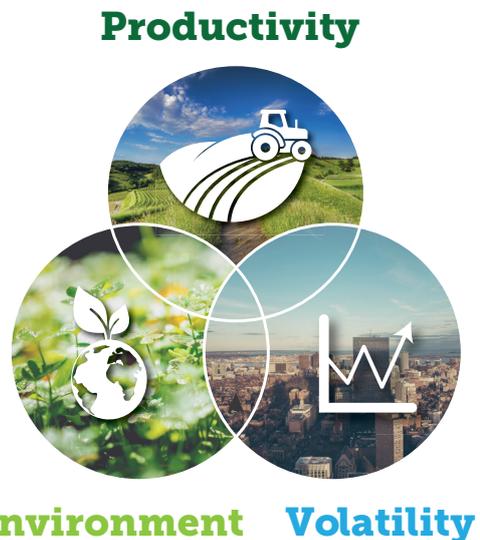
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A FRAMEWORK FOR SUCCESS

Farming is exposed to many conditions outside of its control: extreme weather, volatile markets, government decisions. All have the ability to impact drastically on farm businesses. For decades, UK farming has been subject to policies set at a pan-European level, implementing successive Common Agricultural Policy (CAP) reforms driven by political and economic pressures on the European stage. Once we leave the EU, we will have the opportunity to develop a new deal for British farming – one in which farm businesses are provided with the incentives, rewards and means to become more profitable and resilient, and to better meet the expectations and needs of society at large.

To facilitate the development of a future domestic agricultural policy, the NFU is proposing a framework formed of three distinct constituent parts: agricultural productivity measures, agricultural productivity measures, volatility mitigation measures and risk management tools, and environmental measures and incentives. The future of British food production depends on providing farms with the support and structures to maximise their performance across all three of these areas.



Farm businesses should be able to draw down bespoke assistance from across a range of measures within each of these cornerstones. Crucially 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 UK food supply chain. Proposals that meet such “win-win” opportunities are highlighted throughout this document.



We envisage moving towards a new domestic agricultural policy over a period of years. By including a range of measures under the three 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 that works for both farmers and society at large, and that builds more productive, competitive and progressive agriculture. Emphasis could switch from broad public investment measures such as direct income support payments 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 need to remain on volatility mitigation if the Brexit settlement granted access to UK markets for imports from low cost producers, or those with lower standards of animal welfare, environmental or social protection.

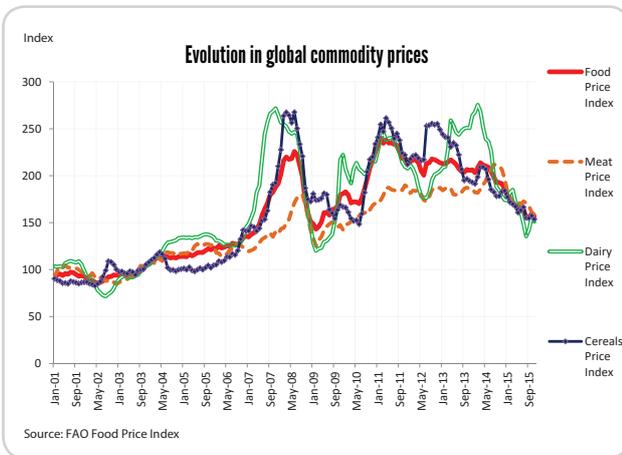
A positive return on investment

British farmers create a countryside that works for everyone, providing the raw ingredients for a food and farming sector worth £109 billion and employing nearly 4 million people. It provides a secure food system within our shores, feeding the nation and delivering a wide range of environmental and rural community benefits all of which are enjoyed far beyond the farm gates. Money invested by government into UK farming is money invested wisely. With the right policy framework, international trade and labour conditions we are clear that our sector will deliver an even greater return to the country in the years ahead.

The NFU welcomes the government’s commitment to provide the same cash total in funds for farm support as is currently paid out under the CAP. In the longer term, with the development of a new domestic agricultural policy, we believe that current levels of public investment in agriculture should be maintained at this level across the three policy cornerstones we identify here.



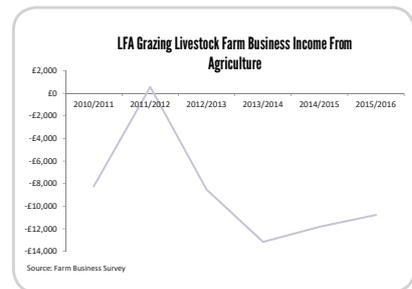
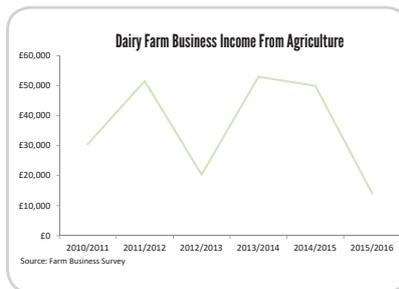
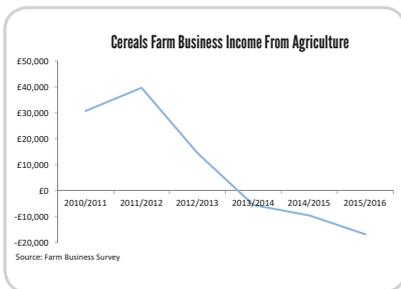
MANAGING VOLATILITY AND BUILDING FINANCIALLY RESILIENT FARM BUSINESSES Volatility



The dynamics of agricultural commodity markets have shifted over the past ten years. The food price spike in 2007/8 saw the impacts of volatility first hit home, and global commodity markets have seldom stood still since.² Significant price movements have become increasingly frequent, often responding to the latest supply and demand prospects from around the world.

Extreme price volatility weighs particularly heavily on farm businesses. It impacts on farm profitability, it 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.

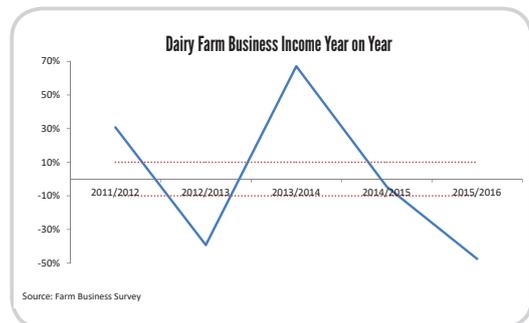
Farm business income from agriculture in the years 2010-2016 has moved an average of 76% year on year for cereal farmers and 74% for dairy farmers.³ Few other sectors of the economy experience such extremes of volatility. It is clear that with the rollercoaster of farm gate prices many farmers would not be able to continue in business without current levels of volatility protection offered by direct payments.



Direct payments are one of the primary mechanisms by which farmers mitigate the impact of volatile markets. They have helped to support businesses that have experienced sustained periods of poor economic returns from the market due to a depression in prices. However, the effectiveness of direct payments alone in stabilising farm incomes and supporting farmers through cash-flow squeezes has become increasingly limited.

Direct Payments are known as the Basic Payment Scheme (BPS) in England.

This is because, whilst direct payments provide a relatively stable source of income, they do not go far enough to stabilise the overall income profile of farm businesses which significantly inhibits a farmer's ability to plan and invest. As such there is a strong case for market-based measures such as a revenue/margin insurance mechanism, counter-cyclical payments schemes or deferred tax savings schemes. These can empower farmers to smooth their income profile and therefore plan and invest for the future, and would sit alongside direct payments as an income resilience measure.



What can farmers do themselves to manage risk?

We believe that **achieving lower costs of production with technical efficiency, benchmarking, forward planning and budgeting are all key elements in coping with the challenges of volatility** – an important crossover of our cornerstones where improved productivity can help manage volatility. However, whilst farmers can work to build more resilient businesses, public investment through direct payments and through supporting the development of market based risk management solutions will be critical in creating a more stable operating environment and encouraging investment and innovation over the long-term.



Mitigating the impacts of market volatility

The NFU believes that in order to effectively empower farmers to manage the impacts of market volatility, mitigation measures within a future domestic agricultural policy (DAP) would need to meet two primary objectives. These are:

- 1) **To provide income resilience** during sustained periods of poor returns from the marketplace for UK producers.
- 2) **To support inter-year volatility management** in order to smooth the significant variability in income year on year.

Examples of measures to mitigate market volatility	
Income Resilience Measure	Volatility Mitigation Measure
Decoupled Direct Support Payments	
Crisis Management Fund	
	Match Funded Savings Schemes
	Deferred Tax Savings Schemes
Counter-cyclical payments—Reference prices set by Government	
	Revenue Insurance Scheme
	Futures Markets
	Forward Contracts

Supporting a fair level of income provides farmers with a degree of resilience whilst volatility management allows them to operate with greater certainty. The current approach under the CAP places most of its emphasis on the former, and too little on the latter. Volatility measures under a future domestic agricultural policy should seek to fulfil both these objectives, **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 public goods.**



We envisage moving towards a new domestic agricultural policy over a period of years. Over time, emphasis could switch from almost exclusive income resilience measures - designed to broadly mitigate the effects of sustained periods of low commodity prices and to some degree inter-year volatility - to a toolbox



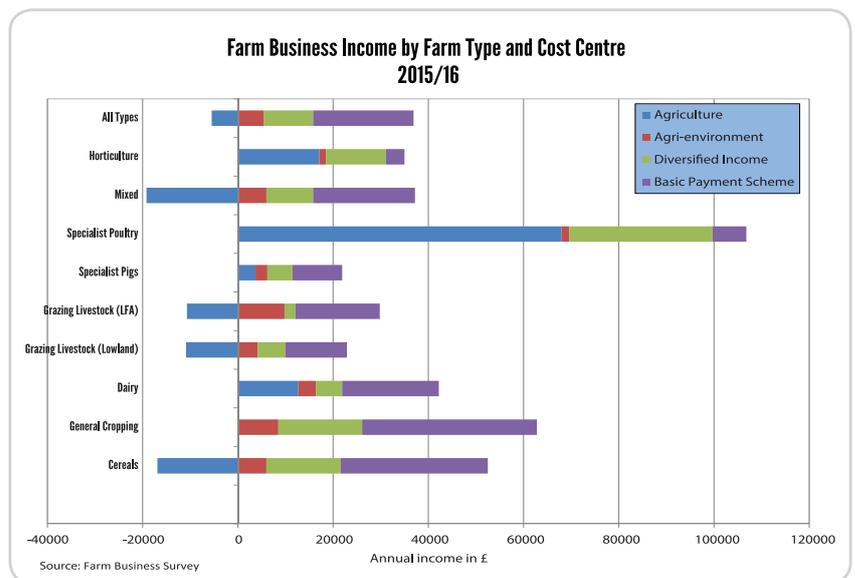
approach of income resilience measures combined with targeted volatility mitigation measures. The weighting of income resilience measures to targeted volatility mitigation measures would be dependent on the characteristics of agricultural commodities and the respective suitability of targeted measures to address inter-year volatility.

Income resilience

In order to support income resilience on farms, decoupled direct payments must remain a key component of a domestic agricultural policy post Brexit. In the short to medium term, they will continue to be a crucial mechanism for supporting farm businesses in dealing with impacts of market volatility and remain an important component of net farm income. **Their primary function will be to underpin resilient farm businesses, allowing British farmers to produce more of the food consumed by British consumers, whilst delivering a range of wider public goods.**



Increasingly conditions have been attached to direct payments, with full receipt dependent on undertaking actions beneficial for the environment or supplements paid for helping younger farmers into the industry for example. Moreover rules around eligibility to receive payments have been designed to deliver funds to those that actively farm and payments are only made to those who hold payment entitlements. We strongly believe that future payments should be made in full, but only to active farmers, regardless of scale, who are contributing to increasing the nations self-sufficiency and at the same time delivering wider public goods. The NFU will continue to consult with members on the potential rules and conditions for eligibility that may be attached to future direct payments. However, by taking a comprehensive approach to future



agricultural policy through all three cornerstones, we envisage policy goals being achieved more effectively without the need to attach prescriptive conditions that add complexity and may lead to unintended consequences arising, for example as is the case with “capping” or the “greening measures” within the existing Basic Payment Scheme.

Developing more targeted volatility mitigation measures

There are currently very few volatility mitigation tools available to UK farmers. The usefulness of EU futures markets post-Brexit will be affected by the impact of trade barriers on the relationship between UK and EU commodity prices. In sharp contrast, the US and Canada benefit from highly liquid commodity futures markets for grains, dairy and livestock. They also offer revenue and margin insurance mechanisms to support the industry in dealing with volatility. Similarly, New Zealand operates multiple dairy futures contracts through its NZX derivatives market to support farmers with forward selling their produce.

The NFU believes the UK government should look into the development of volatility mitigation tools to ensure British farmers are competitive and resilient on a global scale. These may be developed and delivered by the government through the adoption of counter-cyclical measures, public-private partnerships by the adoption of revenue/margin insurance schemes or by the private sector by supporting the development of futures markets.

Below are some examples of volatility mitigation tools used in other parts of the world, which may help inform the development of similar tools for UK agriculture once we leave the EU.



Deferred tax savings schemes

The Australian Farm Management Deposits (FMD) Scheme provides farmers with the ability to put aside substantial pre-tax profits in good years and to draw these down in difficult times or when they need to make cyclical investment. Farmers' deposits are made from pre-tax earnings and tax is deferred until funds are drawn on. Individuals are able to build up to AUS \$800,000 of funds on deposit (c.£468,000) and the total amount invested is currently approximately AUS \$6bn (£3.5bn).⁴



Counter-cyclical payments

Counter-cyclical payments support incomes when prices or revenue fall below reference levels. A reference price may be set by government or be based on historical averages. Similarly, reference levels for a revenue-based countercyclical payment could be based on historical levels of price and yield. The USA operates two countercyclical programmes: Agricultural Risk Coverage, which safeguards farmers from a decline in farm revenue based on historical yields and prices, and Price Loss Coverage, where crops are covered when the national marketing year average price falls below reference prices set in the US Farm Bill.



Revenue insurance scheme

Revenue insurance has the potential to target income support at those farmers who have been significantly impacted by a fall in market prices or yield. Crop insurance, with premiums subsidised by the government, is a prominent risk management measure used by arable farmers in the USA. It has achieved a 90% participation rate with approximately 240m acres insured.⁵ The main strength of the programme is its relative simplicity through the use of production and price indices, which makes farmer engagement easier.



Margin insurance scheme

A margin insurance scheme looks to insure individual farm business production margins against a fall relative to average margins in previous years. The Canadians utilise a margin insurance scheme named AgriStability, which relies on individual farm financial data via tax returns and financial adjustments, often prepared by professional accountants. Feedback on the Canadian scheme suggests that delivering a farm level margin insurance programme is highly complex, expensive and difficult to access for farmers.



Futures markets

Futures markets are an important risk management mechanism primarily utilised in the UK by the crops sector with some early adoption in the dairy sector. In the US, futures markets are highly developed with contracts offered for a range of agricultural commodities including grains, different classes of milk and processed dairy products and livestock. The challenge for the UK post-Brexit is that key agricultural futures exchanges for commodities such as milling wheat and dairy are located in the EU. Therefore any introduction of trade barriers may limit the ability of the UK agri-food sector to utilise such markets to manage market risk.

Making a new approach work in practice – the keys to success

In designing new volatility mitigation measures, the government must ensure that these are appropriate to the specific issues faced by farm businesses. They must effectively counteract the cash flow pressures encountered by the full spectrum of farming sectors and business structures. For some sectors, sustained market downturns may be more commonplace and thus measures that address income resilience may be more relevant than those that help manage short term market fluctuations.

Volatility measures must be able to respond quickly to the market situation and deliver relief in a timely manner. All measures must target the active farmer and be accessible to those they are seeking to assist. Although sophisticated schemes can in some cases better target funding, measures should not be prohibitively complex for farmers to access.

The design of market linked mechanisms should be transparent. If reference data is used as a basis for payments, such data should be independently sourced and publically available. The methodology behind collecting data for such indices must be clear with data independently audited to ensure its integrity.

Transaction costs associated with support mechanisms must be kept to a minimum in order to ensure funds are effectively directed to address their intended cause. There is a concern that sophisticated insurance mechanisms may carry a significant administrative burden for all parties involved. This diverts crucial funds away from the final beneficiary. It is important to ensure that the delivery process is designed to minimise transaction costs for the government, for private sector partners and for the farmers as the final users.

Actions

Improve provisioning and reporting of market data

The UK currently lacks the quality of market data, experience or institutional capacity required to deliver more targeted volatility mitigation measures. In order to facilitate their development, it is critical that government acts now to improve the provisioning and reporting of market data.

Improvement in market data will also support the development of market linked pricing mechanisms in the supply chain, which in turn can be used to drive greater productivity.



Pilot revenue insurance schemes

The UK currently has very limited experience of delivering market-orientated volatility mitigation schemes. Therefore a range of pilot schemes would build the UK's capacity to understand how such schemes could be best structured and delivered to support farmers and incentivise uptake. Specifically a market-orientated revenue insurance/countercyclical payments programme to support farmers in smoothing their income profile would be helpful. Small scale pilot schemes could be delivered during the transition period post-Brexit, which if successful could then be scaled up over time. The government would be required to play a crucial role in subsidising premiums to affordable levels, procuring and reporting on market data and overseeing the delivery of the scheme by private insurers with technical delivery expertise.

Establishing a ceiling for Amber Box measures

When the UK leaves the EU it will establish its own schedules at the World Trade Organisation (WTO). Importantly, some of the measures that combat volatility and potentially the measures underpinning the environment and productivity cornerstones would likely need to be structured as Amber Box measures. Amber Box measures are those government policies that are considered trade distorting and countries have agreed limits on how much they spend on such policies. The EU has an overall limit on such spending that was calculated during the base period of 1986-1988. When the UK leaves the EU, it will need to decide how it deals with its share of the EU's ceiling. In order to ensure sufficient flexibility in the design of volatility mitigation measures, it is important that the UK looks to achieve a proportionate Amber Box allowance. Failure to do so will significantly restrict policy options in the long term.



IMPROVING AGRICULTURAL PRODUCTIVITY **Productivity**

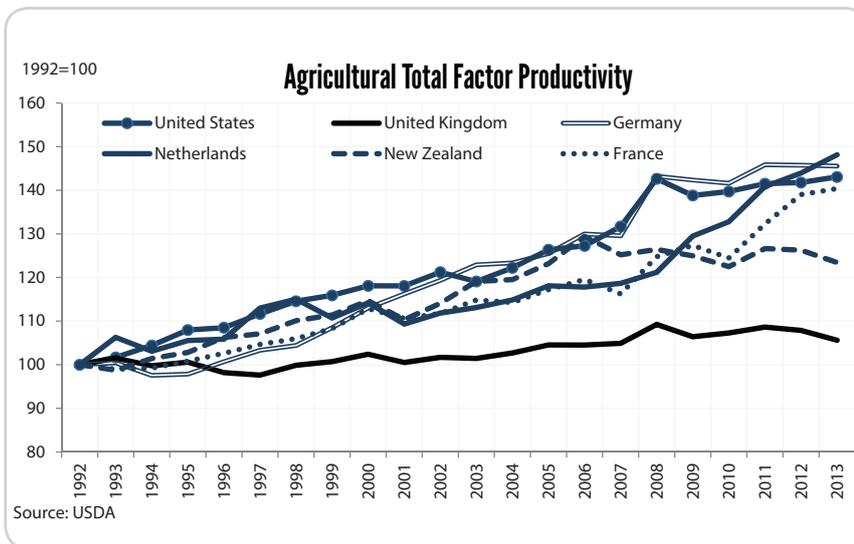
The country is experiencing a productivity problem. Overall levels of productivity across the economy are at, or slightly below, where they were before the financial crisis of 2008.⁶ Agriculture is affected by this too, with an increasing gap in agricultural productivity growth rates between the UK and other developed nations.⁷ If this trend continues and our growth stagnates, British farmers will lose pace with international competitors. Despite advances in labour productivity,⁸ there are a number of reasons cited for the drag in overall agricultural productivity improvement. Underinvestment in publicly funded research, lower levels of private sector R&D and lower rates of adoption of innovative farm practices are all attributed.⁹ Insufficient skills development and knowledge exchange mechanisms are also significant contributing factors.¹⁰

Agricultural productivity is a measure of the amount of agricultural output, for a given amount of inputs, including labour and capital giving an indication of the efficiency and competitiveness of the industry.

It is essential not to narrowly define improving agricultural productivity as simply producing more. **Rather, a more efficient use of inputs improves productivity and crucially, is also beneficial to a number of environmental objectives.** Productivity gains can deliver reduction of greenhouse gas emissions and better management of nutrients and allowing 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. Lowering production costs could lead to more competitive production, so that the British public could enjoy more British produce as surveys consistently tell us they would like to. **Increased competitiveness extends beyond the UK's shores and could see more UK produce sold on foreign markets too.** The benefits of improving farm productivity are many and extend far beyond the farm gate and amount to far more than simply "higher yields" or "greater volumes of product."

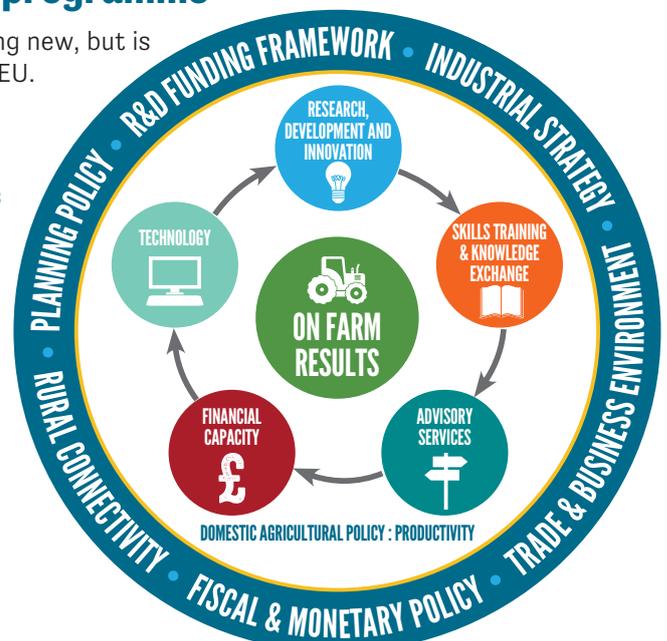


Developing an integrated productivity programme

The need to address the issue of farm productivity is nothing new, but is arguably more crucial today as the UK prepares to exit the EU.



The NFU believes that improving agricultural productivity through targeted and tangible measures within a future domestic agricultural policy is key to reducing the sector's reliance on direct support payments. Bespoke measures, as contained in the inner circle of the diagram, would be delivered through public funds committed to the sector and would be aimed directly at farm businesses. These do not sit in isolation. Equally important to the sector's success are other policy initiatives that sit outside the strict boundaries of a domestic agricultural policy, but which nevertheless help drive productivity, such as a supportive regulatory environment, an enabling planning policy framework and improvements in rural infrastructure.



Targeted and tangible measures to increase agricultural productivity

The NFU is calling for specific funding and policies in a future domestic agricultural policy to tackle the key barriers to productivity improvements on farm. Including:



FACILITATING RESEARCH, DEVELOPMENT AND INNOVATION

A thriving domestic agricultural research base is key to productivity gains across the sector and government must build on the investment into the Agri-tech Strategy. However research can only make an impact on farm performance when put into practice. Productivity funding in the domestic agricultural policy should be aimed at ensuring R&D findings are disseminated, understood and implemented by farm businesses. There should be opportunity for involving farmers and growers in research to help keep projects relevant to the commercial context. Increasing both the impact of research and the levels of adoption can in part be achieved through fostering better links between farmers, researchers, advisers and technicians. Having funding available to develop and test innovative practices and technologies with farmers has the potential to lead to more rapid and sustained productivity gains.



SKILLS, TRAINING AND KNOWLEDGE EXCHANGE

Knowledge exchange and training initiatives tailored to sector needs should form part of a new domestic agricultural policy to equip the industry with the skills it needs to improve productivity. Transferring and sharing practice should feature more in future training and skill programmes, with more emphasis on hands-on experience in applying new methods. This could include funding farmer to farmer learning, spreading both new approaches and existing best practice. Demonstration farms, farmer led day visits and encouraging continuous learning from other practitioners should all be encouraged. Beyond pure farming practice, training and skills development should be provided on business management to reflect the growing complexity of farm enterprises and dynamic supply chains.



ADVISORY SERVICES

Good advice at the right time can be crucial to taking actions that lead to productivity gains. We wish to see strong advisory services included in the future policy. **The primary purpose would be to improve the competitiveness of farm businesses and support sustainable practices.** Such a service could be supported by AHDB through its knowledge exchange strategy and in conjunction with commercial partners. The service should be able to advise on all aspects of a future domestic policy encompassing advice on navigating grant funding, accessing training and knowledge exchange opportunities and accessing other services, government funded or otherwise, that can provide advice on how best to make productivity gains.



FINANCIAL CAPACITY

From a farmer's perspective removing financial barriers to investing in productivity improvements is crucial in improving productivity. Grants alongside other methods of financing investment are central in any future programme. Loans where repayment frequency and amounts are linked to changing business returns may also unlock further investment. Equally, public bodies could offer guarantees for private investment that may reduce risk levels to provide additional credit to the industry. **Assistance should be seen as a means to make farms less reliant on requiring further support in the future.** Finance should be accessible to all farmers and the system by which it is obtained timely and un-bureaucratic.



TECHNOLOGY

The needs of each sector for new technologies are varied, but investments should meet the broad aims of improving resource efficiency, advancing genetic and breeding gains, saving labour, improving animal health and welfare, managing disease or adding value to raw products, therefore **delivering benefits far beyond the farmgate.** Investments themselves could simply be in implementing good practice or in a variety of assets including buildings, machinery or software systems. Overly prescriptive lists of items are unhelpful; rather identifying the needs of individual farms is the most important step.



Defra is considering a proposed new system of digital traceability for livestock along the supply chain (electronic ID or EID), representing a complete move away from paper recording. This is expected to transform the way in which livestock farmers record and benefit from data, **enhancing management and productivity.** Accelerated roll-out of this system, including new forms of data collection, will be critically important to realise the benefits and maintain UK competitiveness.



Fully connecting remote farm premises to a fast rural broadband network presents specific challenges, but can be crucial to technology being fully exploited. Targeted aid to connect farm holdings that are unable to benefit from wider government initiatives is something that a domestic agricultural productivity policy should include.

Sector snapshot

Arable and horticultural enterprises seek precision technologies to aid the planting of seed and the application of fertiliser and plant protection products. Precision harvesting, picking and crop analysis technologies also help achieve the best possible yields. Automation is also a focus amongst horticulture operations, with machinery to complete tasks such as in-field grading and packing, as well as harvesting and weeding being suggested.

Dairy, livestock and poultry businesses all share a desire for aid to replace or refurbish housing for animals and systems used to handle them, with automated equipment and software appropriate for some processes. This would improve the health and growth of stock, bringing welfare as well as productivity benefits. Equipment to test and monitor grassland, as well as improved drainage, could improve the quality of forage.

Resource efficiency is a common theme across all sectors. Investments could include on-farm renewables, including use of biomass and anaerobic digestion, and heat exchange installations to convert heat from greenhouses, crop drying machinery or livestock sheds into power. Slurry and manure storage equipment as well as low emission spreading machinery would also help make better use of these resources. On-farm reservoirs for water storage are key ways for farms to be more efficient and productive.

Creating an environment conducive to growth

Underpinning the direct productivity programme as part of a domestic agricultural policy, there are a number of other policy areas where government can further assist with creating an environment that is conducive to improved productivity within agriculture.

 **Planning Policy.** Planning permission influences farm productivity. New animal housing that benefits health and welfare or packing facilities for produce are examples that have a direct bearing on productivity. The planning system needs to be able to address key issues such as appropriate siting, design and access in a timely manner, while avoiding unnecessary regulatory burdens or obstructions to development. There is an increased role for permitted development rights to free up the planning system, while ensuring there is appropriate control.

 **Industrial Strategy.** The agri-food sector should be recognised for its contribution to economic growth across the whole of the UK and the government's new Industrial Strategy must ensure wealth is spread across the nation. It should build upon existing policy, including the 2013 Agri-Tech Strategy, to support advances in autonomous vehicles and robotics, biotechnology, data science and the bio-economy. **Harnessing the huge potential of 'agri-renewables' is very much in the national interest by contributing to national energy security and bringing additional benefits to farm businesses and the environment.**

 **Rural Connectivity.** In order to best exploit new technologies a high standard of rural connectivity is essential. However, an NFU survey in 2016 found that 83% of farmers had broadband upload speeds of 2mbps or less and only 6% had access to superfast broadband.¹¹ The government is potentially promising speeds of 10 mbps by 2020, but notably the target is 30 mbps in the same period for the EU.¹² UK farmers and rural communities must not be left behind. **A comprehensive government commitment to fully connect rural Britain is critical to agricultural productivity.**

 **Fiscal and Monetary Policy.** The farming sector will be looking to the government to provide and maintain a favourable, stable and predictable environment in which to invest. This includes keeping inflation and interest rates low and a tax regime that is fair and not burdensome. Furthermore, modifications to tax policy could remove disincentives to investing in certain assets. The current Annual Investment Allowance enables a 100% deduction against tax for the first £200k of investment in equipment in the year of expenditure. **This tax relief increases the capacity to invest and could be enhanced to unlock further investment in new technologies.** The lack of similar capital allowances for agricultural buildings and structures acts as a major barrier to investment in modern, efficient equivalents and should be addressed to encourage investment.

 **R&D Funding Framework.** Despite its well documented value and return,¹³ government data shows that real term spending on agricultural research from the period 2004/05 onwards has fallen.¹⁴ This needs to be addressed by wider government science policy and in March 2017 the NFU released a statement jointly with Rothamsted Research¹⁵ calling for strong funding on a par with international competitors; for policy that attracts funding, skills and enables innovation; and for greater collaboration among industry actors and government. The 2017 NFU report '*Feeding the Future: Four Years On*¹⁶ sets out priority areas for fundamental science to commercialisation. Investment, coordination and collaboration are needed at every stage of research.

 **Regulatory Environment.** Our withdrawal from the EU provides an opportunity to review the regulatory environment under which farming operates and to devise a regulatory regime that is fit for purpose. Science and evidence must be at the heart of policy and decision making, ensuring that regulation seeks to deliver productivity gains rather than stifle them.

 **Trade and Business Environment.** Government must recognise risks that farming may face such as those posed by new trade deals or restrictions in access to overseas labour. Should policy allow farming to flourish, and works for both farmers and society at large, we can look forward to a more productive, competitive and progressive agricultural sector.

Supporting Structural Change

The structure of the farming sector is continually evolving and Brexit may influence this. Policy should be ready to support structural changes in the sector, such as helping new entrants, ensuring tenants have access to finance, aiding those wishing to cease farming activities. It should ensure all are able to adapt to a new business environment and improve their productivity in order to do so. Organisational structures have also developed to facilitate farmer collaboration. **Producer Organisations in the horticulture sector have been financially supported by the EU and have led to measurable profitability, efficiency and environmental gains.**¹⁷ Future policy should support existing efforts and seek new ways to support collaboration in various forms and across more sectors to build upon these successes.

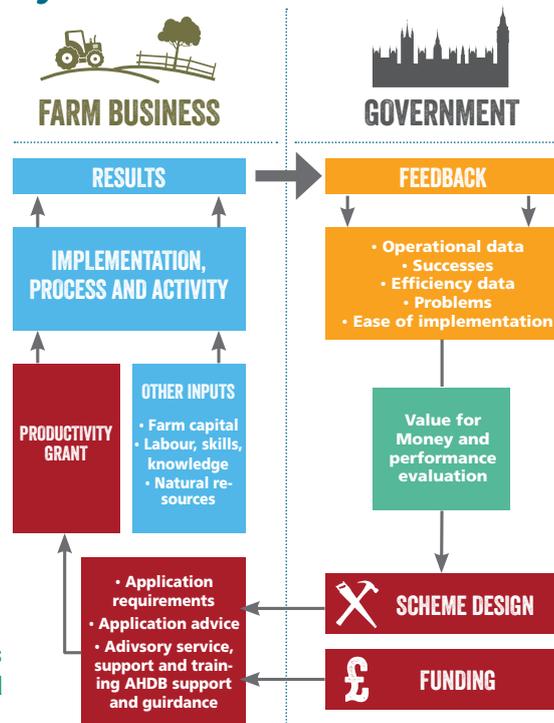
Making a new approach work in practice – the keys to success

Any measures to improve productivity will only ultimately be successful if farmers participate. Grants or training programmes may fund exactly what is required, but if farmers do not take them up, or are not aware of them, the investment only remains potential. Equally, even if farmers are fully aware of opportunities, a poorly designed application process may mean that they conclude the effort does not match the benefit.

In order to successfully deliver the productivity goals of a new domestic policy, measures must be designed in a way that encourages uptake and confidence from both industry and government that they will be effective. Whether it be a training programme, capital investment or piece of advice received, the elements of a future programme should be relevant, accessible, cost-effective, transparent and responsive.

Productivity measures should be accessible to all farm types, sizes and producer group structures and not designed in such a way that administrative burden hinders participation. Correct guidance and promotion will also help farmers access measures.

As part of the evaluation of any grant scheme ensuring the best value for public funds, the NFU proposes that the beneficiary feeds back information to government on performance of the grant-aided item. **This will ensure the continual improvement and optimisation of grant funded productivity schemes.**



The Agriculture and Horticulture Development Board (AHDB) is funded by a levy on farmers and others in the supply chain. It undertakes market analysis, research activities, training opportunities and product promotions for most agricultural sectors. It has long played an important role in encouraging farmers to improve productivity and profitability, particularly in the areas of research, knowledge exchange and sharing best practice. The AHDB also promotes the need for farm businesses to be fully informed of their costs, income and margins to assist in targeting productivity interventions. One of its programmes, FarmBench, collects a wide variety of production and business data to compare the performance of participating farms to inform on-farm decisions. Better understanding the baseline, comparing it to others and supportive decision-making tools, will empower businesses to take the right actions to improve productivity. The right knowledge and skills in this area will be important in underpinning and enhancing many other productivity improvement measures. This is a good example of where a future domestic agricultural policy and the AHDB's activities can be mutually supportive without duplication. The AHDB's work should not be seen as a way to replace policy initiatives. It can play a central role in supporting policy objectives, and this activity should be considered as a vital part of a wider supportive environment for productivity measures of a domestic policy.

Actions

Developing pilot schemes to deliver productivity gains

We believe that the government should consider developing public private partnerships, for example with research institutes, farm suppliers, processors and major retailers, to deliver and financially support pilot schemes that aim to improve farm productivity. A number of leading retailers have dedicated supply chain farmer groups that could be well placed to undertake trials and pilot schemes.

Investing in digital solutions

We would like to see investment and implementation of IT and digital solutions that drive competitiveness of farming, for instance through rolling out data systems that enable two-way flow of livestock movement and carcass quality reporting to benefit producers as well as processors.

Improve the functioning of the existing Rural Development Programme for England

Existing funds to improve farm productivity are suffering from low uptake and underspend has been observed in the Rural Development Programme for England (RDPE). In many instances an onerous and bureaucratic application process has led to delays in the processing of grant applications (and the subsequent decision to fund). It is recognised that the costs and time involved in making an application are very often out of proportion with the actual funding on offer resulting in a low uptake of grant applications and reluctance to apply for future funding. There is clearly a need for these schemes to take better account of the farmers' perspective in order for them to be successfully delivered and this must start in the design phase. Promoting schemes and making them accessible and navigable is key to increasing uptake in the short term.

The NFU would like to see the RDPE budget spent effectively on improving farm productivity rather than being lost to the industry. The existing underspend must not be seen as evidence of little or no demand. We are convinced that if the spending of these funds was aligned with proposals set out in this paper then uptake would be higher. Government should work with the sector now to see the RDPE make a difference on farm.



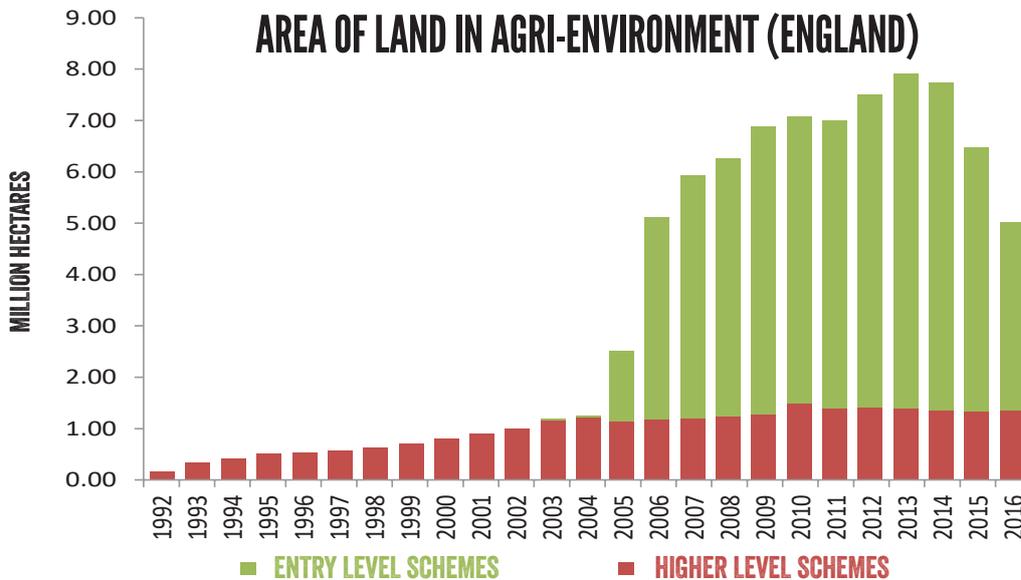
ENHANCING THE FARMED ENVIRONMENT

Environment

Over many centuries farming has shaped the countryside we all now enjoy. Farmers manage 70% of land in the UK producing high quality, safe and affordable food. The NFU strongly believes that competitive food production is not at odds with successfully managing the environment. Given their stewardship of the land farmers are uniquely placed to deliver the landscape and environmental benefits to our countryside.

Compared to the 1980's, 31% less nitrogen fertiliser and 55% less phosphate fertiliser was applied in 2016.

Over the past 30-40 years, 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. Under agri-environment schemes in England, more than 30,000 km of hedgerows have been planted or restored, providing habitat and shelter for a range of wildlife. 37,000 km of grass margins have been created, and 2,600 km of stone walls actively managed as part the scheme.¹⁸ 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.



Industry-led actions, with farmers working in partnership with regulators and environmental groups, have delivered environmental improvements. In England, the Campaign for the Farmed Environment encourages farmers to protect and improve soil, water and biodiversity alongside productive agriculture. The industry itself has also driven resource efficiency and is producing more with less. **Fertiliser application rates have been reducing since the 1980s, yet crop yields have been maintained.**¹⁹ Clean energy is also increasingly being provided by farmers, with funding and policy support being successful in helping them invest in renewables.

In 2014/15 there were more than 269,000 hectares managed voluntarily under Campaign for the Farmed Environment



Alongside these positive changes, farming has continued to shape our landscapes, creating varied fabrics across the uplands and lowlands and bringing value to local and rural economies. The role of upland regions is underlined by the fact that 70% of the UK's drinking water is sourced from these areas,²⁰ with 53% designated as Sites of Special Scientific Interest (SSSI).²¹



Total greenhouse gas emissions from agriculture have fallen by 17% since 1990

In future, the challenges will be broad and varied. Environmental delivery will need to do more to encompass flood management and air quality, health and wellbeing as well as landscape benefits, climate change mitigation, soil management, water resources and biodiversity.

Design principles

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. We believe the following principles are central to supporting the farmed environment:

- All farms, no matter their output, production system, location or length of land tenure should be able to participate in voluntary environmental measures.
- Food production and environmental measures should not be considered as mutually exclusive. Profitable farm businesses are required for successful delivery of environmental outcomes.
- Environment policy should seek to deliver outcomes that are positive both for on-farm productivity and for the environment, for example investments that place less pressure on our natural resources.
- Policy must seek to deliver against a wide range of environmental priorities. Farming has a vital role in delivering further improvements in landscape character, soil management, water quality, wildlife and air quality, as well as in mitigating climate change.
- The unique environmental value of specific areas such as the uplands, commons and SSSI's should be recognised. Support measures should be tailored to the needs of farmers in these areas and farmers rewarded for the valuable work they do in sustaining these special places.
- A supportive policy environment, in terms of trading policy, planning rules, national infrastructure and financial incentives will help the industry build upon farming's successful environmental delivery.

A future farmed environment scheme

The NFU believes that 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.



Example land management options & capital grants

1 Year Fallow land, cover and catch crops, overwintered stubble, field margins and buffer strips to slow water flow and retain soil erosion, hedge planting, minimum tillage drills, gateway relocation hedge and wall maintenance, ditch management, nutrient management, skylark plots.

5 Years: Pollen and nectar mix, winter bird feeding mix, low input grasslands, legume mix, protection of in field trees including ancient trees, historic environment.

10 Years: Moorland management, management of protected habitats e.g. SSSIs, habitat creation and management, scrub management, arable reversion, management of semi natural and species rich grasslands, creation and management of wet grassland

20 Years: woodland management, habitat creation

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 should consist of land management options and capital items.

Applicants should be able to develop an agreement most suited to their local environment using both tiers. Agreements could last for differing durations and as well as being part of ongoing management agreements, capital grants should be available outside of a multi-annual scheme. **This would enable hedge planting or support better slurry management helping resource efficiency for example.**



There are a number of approaches that could, in future, form part of a farmed environment scheme. These different approaches should be piloted first. For instance, outcomes or results based schemes are being piloted across Europe, which contrast with the management based approaches more typical of the CAP. However, there are a number of practical issues which may make adoption of alternative approaches problematic, such as the influence of weather on results or the length of time it may take to establish an outcome, and what these may mean for payments to the farmer, not to mention compatibility with WTO rules, that may limit payments only to an income foregone and additional cost basis.

Developing a diverse approach to environmental delivery

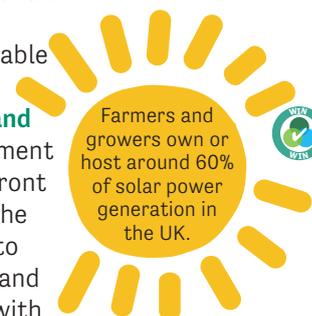
Effective environmental delivery is not limited to agri-environment schemes. While our vision for a new agricultural policy will see farmers rewarded and incentivised to deliver valuable environmental goods, this will be complemented by a range of initiatives and approaches outside the domestic agricultural policy. For instance, **voluntary, industry-led initiatives** such as the Campaign for the Farmed Environment, the Voluntary Initiative, the Greenhouse Gas Action Plan and Tried & Tested **encourage farmers to be more resource efficient, protect soil, water and improve biodiversity**. These have brought together industry, environmental groups and the farm advisory community to develop agreed environmental messaging for farmers. Importantly, they demonstrate the industry's commitment to improving the farmed environment. Furthermore, there are a number of examples where the supply chain offers reward to farmers for the valuable work they do to improve and enhance our environment, alongside producing food. The challenge is to ensure that these environmental commitments by farmers continue to be fairly recognised and rewarded and that consumers are aware of the good work being undertaken.



>1/3 of all farmers have diversified into renewable energy, with solar PV, biomass heating and wind power remaining the most popular technologies

More than a third of farmers are now involved in some way in the renewable energy market, including bioenergy (biomass, biofuels, biogas), wind power and solar photovoltaics (PV).²² **This provides low carbon energy and contributes to climate change adaptation and mitigation efforts.** Government policy has incentivised these approaches and helped overcome high upfront costs. Although incentives are being reduced, uptake has increased as the technology has developed and become more affordable. Yet continuing to

develop a supportive policy environment, in terms of planning rules, national infrastructure and financial incentives is still required to help farming deliver for the environment and climate with clean energy.



In the long term new market approaches 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 could continue to develop in future. These new approaches can also tap into the leveraging effect whereby a proportion of public funding encourages greater levels of private sector engagement, unlocking more investment. **This could provide farmers with a new stream of largely stable income that can be used to reinvest in their businesses, to improve productivity and to manage wider market volatility.**



Facilitating science, development and innovation



As explained earlier in the paper, science, research and innovation are part of the solution to boosting productivity, growth and competitiveness, but also increasing **resource efficiency and reducing our environmental impact**. The NFU report *Feeding the Future: Four Years On* provides examples of funding priorities that would lessen farming's impact on the environment and contribute in terms of broader public benefit. Priorities include:



- Undertake research that will enable UK agriculture to mitigate and adapt to the predicted impacts of climate change including improved predictions and management responses to extreme weather events
- Quantify the contribution that farming practices make to the value of tourism, rural landscapes, human health and well-being and other aspects of the UK rural economy
- **Provide the ability to map and understand the factors that contribute to soil health to better target fertiliser application to achieve both environmental and productivity gains**
- Deliver technology to sample and manage air and water quality in housed livestock production systems including early detection of diseases.



Reliable, robust and relevant data are key to helping farmers meet the global challenge of producing more while impacting less. We need to know where we are starting from and how well we are progressing towards meeting our objectives, and if subsequent policy changes are needed.

Surveys have been used extensively by the industry to assess the environmental performance of the agriculture sector in areas such as nutrient and manure management planning and detecting the scale and quality of changes that occur in the UK's countryside and natural resources over time. Government should continue to invest in regular surveys, such as the Farm Practices Survey and re-establish the Countryside Survey, to collect open, transparent and available countryside and environmental data. There is still a real need for the industry to have access to up-to-date data on a wide range of relevant environmental conditions to target investment, aid business planning and guide policy.

Making a new approach work in practice – the keys to success

We believe that a future environmental policy should consist of a mix of incentive schemes, including a farmed environment scheme, complemented by new market approaches, such as Payments for Ecosystem Services and industry-led action to improve environmental delivery. In addition, we see that science, research and innovation have an important role to help increase our resource efficiency and reduce our environmental impact.

To achieve high uptake and therefore the successful delivery of environmental objectives, the farming perspective needs to be at the heart of all environmental schemes, from design to implementation. Future environment schemes should be voluntary, catering for all levels of ability, knowledge and skills of land managers. There must be adequate resources available for a successful delivery.

Environmental measures need to be relevant to different areas of the country and various landscapes. This will allow timings of environmental activities to be tailored to local farming conditions, such as harvest or hay cutting dates.

All parties to any environmental scheme must be clear of their commitments and expectations. There needs to be clarity around how any scheme is managed and monitored setting obligations that are achievable and flexible to respond to challenges such as weather conditions. The financial payments offered as part of any scheme should at least cover the full costs of full delivery as well as future losses. As with any contract, there should be an incentive for participation. Farmers are unlikely to adopt contracts for over 20 years as they want to retain flexibility of land use in future years. There should be a built-in flexibility to account for different land tenure practices, including tenanted and common land arrangements, with payments for environmental work going to the actor undertaking the practical work and the ability to change this over time.

New approaches to environmental delivery provide farmers with a new stream of largely stable income that can be used to reinvest in their business, to improve productivity and to manage wider market volatility.



Actions

Farmer engagement

Farmers must be at the heart of future environmental policy development and be seen by government as critical to policy success. The NFU is well placed to participate. Engagement must start early in order to ensure that ambitious policy objectives are achievable and are accompanied by delivery systems that are fit for purpose.

Pilot new approaches

There are a number of approaches that may need further developing and piloting that could form part of a future farmed environment scheme, e.g. outcomes or results based schemes, reverse auctions and trading platforms. Government should ensure that pilots and trials are in place and cover a range of environmental objectives. Lessons should be learnt from existing schemes and measures, such as Countryside Stewardship.

Improve existing offer

Improvements to the current Countryside Stewardship (CS) scheme should be seen as an opportunity to test some of the features of realising a new farmed environment scheme and other new delivery methods. The NFU has identified a number of recommendations to improve the current scheme and is actively working with Natural England and Defra to deliver these improvements in the short term. This work must continue in parallel.

Payments need to offer greater form of incentive and reward for participation in agri-environment schemes. This can be achieved in the short term through reviewing payment calculations, more proportionate penalties and reducing administration. In developing the future policy, government must seek to address the limitations of WTO rules that stipulate payments for environmental schemes must be based on income foregone and cost incurred.

CREATING THE RIGHT CONDITIONS FOR CHANGE THROUGH A SMOOTH TRANSITION

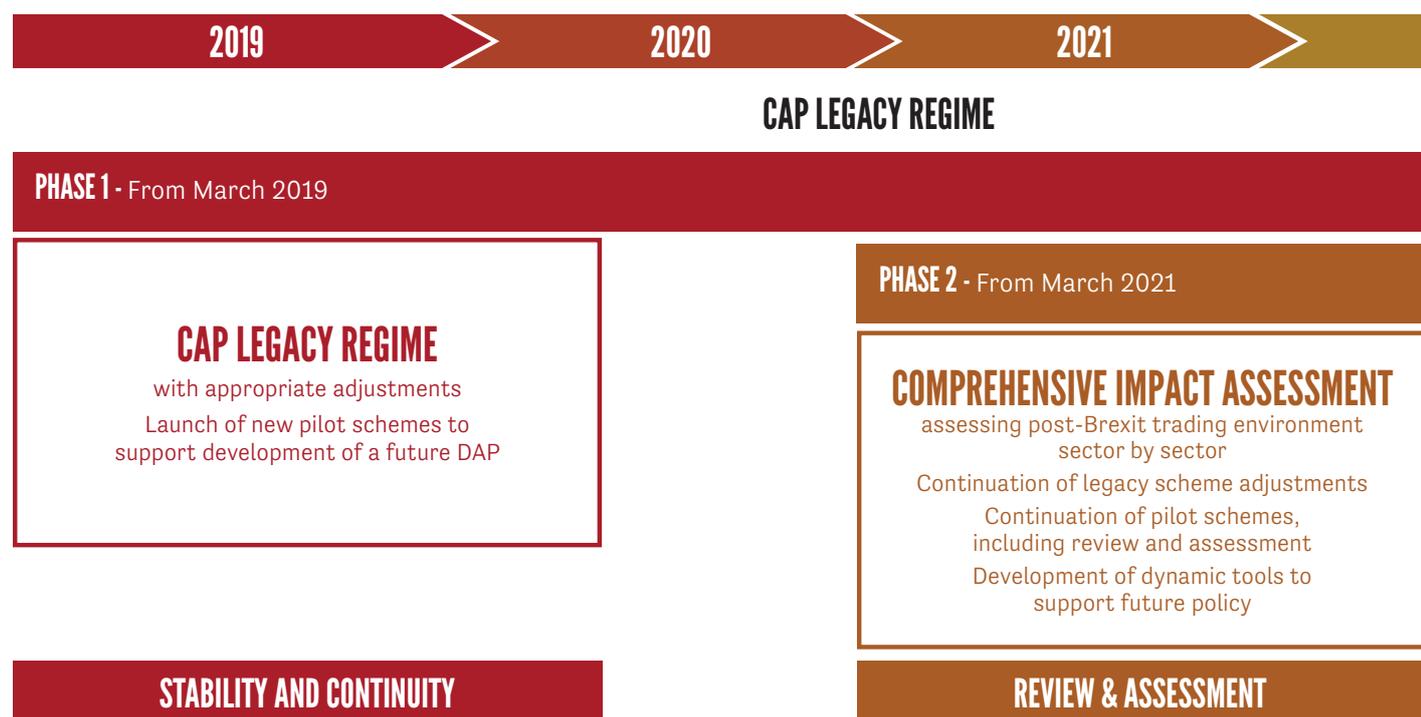
The government has stated that it wants to deliver a smooth exit from the EU and that it wants to “avoid a disruptive cliff-edge”, acknowledging the potential need for phasing in any new arrangements and minimising the impact of the current unpredictability faced by farmers. It is vital that the government sets out its intentions for transitional arrangements for farmers at an early stage to ensure continuity and certainty for farm businesses when we leave the EU.

Once the outcome from Brexit negotiations is clear, we believe that the government must carry out a comprehensive impact assessment of the withdrawal agreement as it affects farming. The outcome of this will dictate the pace at which we move from the current system of farm support to a new domestic agricultural policy involving the elements set out earlier in this paper. To assess the impact, the government should adopt a balanced scorecard approach which considers the impact across a number of performance indicators. The assessment criteria must be agreed in advance and in partnership with industry stakeholders.

We believe that change is also heavily dependent on the outcome of the Brexit settlement itself. For example, in the event that the UK were to remain a member of the single market during the transition, whether in fact or in practice, the UK may be required to retain the CAP, or a similar domestic structure, and comparative levels of direct support for that time. Ongoing membership of the Customs Union might also require close alignment to the CAP under the terms of any agreement, and the government’s hands may equally be tied with regard to the financial settlement. For example a continuing commitment to contribute to the CAP under the 2014-2020 EU Budget (MFF) may further delay the opportunity for change post Brexit. These factors will influence the pace and extent to which we can adopt a new farm policy.

Trade-offs

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 ensuring regulatory stability and effective delivery of a new policy on the one hand, particularly in light of wider political and economic uncertainties that may exist post Brexit, and the ambition for tangible change and improvement in our agricultural support regime in the short to medium term post-Brexit.



Managing the CAP legacy

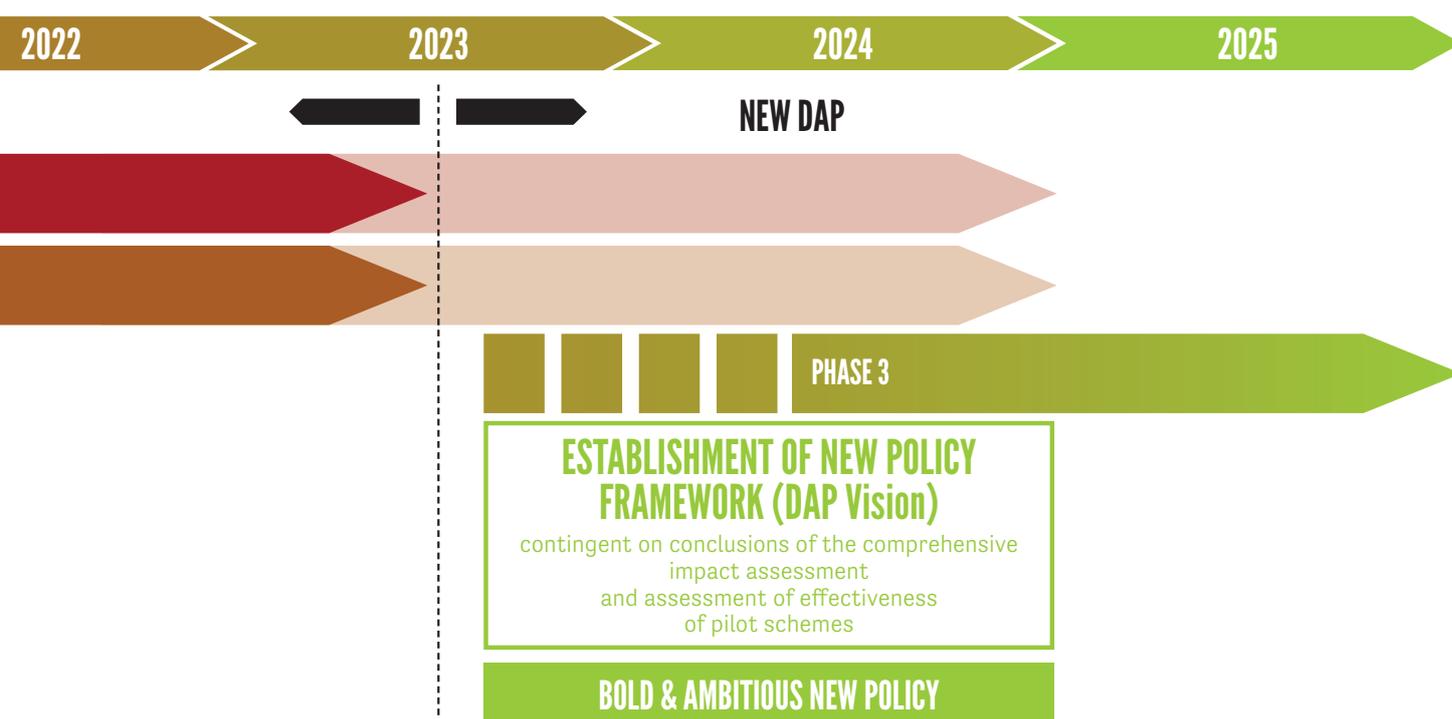
Government has committed to maintaining payments through to the 2019 Basic Payment Scheme (BPS) application year, and there is a further commitment to maintaining cash funding to the end of the current Parliament.

Come 30th March 2019, the assumed day of Brexit, we will be mid-way through a cross compliance year. Farmers would be anticipating completing their BPS application form and guidance for BPS 2019 will have been issued in autumn 2018. Countryside Stewardship agreements will have been issued from 1st January 2019 and applications for 2020 agreements will be mid-way through the process. This all points to a continuation of the current regime largely untouched in 2019, but underpinned by UK rather than EU law. There will then be a question as to how and when the government wishes to move from this UK CAP legacy regime to a new system.

Assuming Brexit indeed occurs on 30th March 2019 and the Agriculture Bill moves through Parliament as expected, the following **indicative timeline** could provide a stable and predictable framework for farmers and delivery agencies to adjust to a significant new policy environment:

- **Phase 1** (2019 / 2020): **Stability & Continuity** – CAP legacy regime with some adjustments as appropriate, i.e. improvements in functioning/application of existing schemes. Launch of new pilot schemes to support development of future DAP
- **Phase 2** (2021 / 2022): **Review & Assessment** – undertaking of comprehensive impact assessment of post-Brexit trading environment on a sector-by-sector basis. Continuation of pilot schemes, plus review and assessment thereof. Continuation of legacy regime with ongoing adjustments and development of dynamic tools to support future policy compliance
- **Phase 3** (e.g. 2023 or beyond): **Bold & Ambitious new DAP** – establishment of new policy framework (NFU DAP Vision), contingent on conclusions of the comprehensive impact assessment and the assessment of effectiveness of new measures trialled during the transition period.

The move between Phase 2 and Phase 3 is flexible. Should the impact assessment find a negative Brexit settlement has had a significant, adverse impact on farming, it may be necessary to delay moving to the third phase.



We will look to amend the CAP legacy schemes to improve their delivery and effectiveness.

Proposed modifications to CAP legacy schemes

Under the first two phases of the transition, we would look to amend the CAP legacy schemes to improve the delivery and effectiveness of the existing schemes, whilst building the necessary momentum for delivering the future new approach. We look forward to working with government to identify these modifications so as to simplify the existing schemes and increase accessibility and therefore uptake.

- Basic Payment Scheme (BPS): for example, specific areas of weakness that can be improved (taking into account trade-off between complexity of change against delivery capability)
- Countryside Stewardship: specific areas of weakness that can be improved, particularly relating to scheme complexity and record keeping requirements
- RDPE Socio-economic grants / schemes: Action plan on improving accessibility to grants & roll out of existing plans (e.g. Tb advisory service / skills / broadband / young farmers measures)

Policy development and implementation delivery in partnership

During the transition period, we believe that government should put in place an intense period of consultation and stakeholder engagement to develop, test, and evaluate the details of a future bold and ambitious policy framework. The NFU is well placed at national, regional and local level to fully participate in the development of the future policy.

It is vital that in developing a new policy, the feasibility and deliverability of policy options are considered from the start. We propose that an integral part of the development should be an implementation framework to consider how policies would actually be delivered and administered for farmers and their advisers on the ground. Such an approach would be beneficial for delivery agencies too. In the past many of the issues relating to the CAP schemes have been a result of ambitious policy development failing to meet sufficient deliverability tests.

It is vital that in developing a new policy, the feasibility and deliverability of policy options is considered from the start.

A UK policy framework developed in partnership with devolved administrations and farming partners across the UK must be established.

Governance

UK political arrangements must be respected. A UK policy framework developed in partnership with devolved administrations and farming partners across the UK must be established. The framework should be broad enough to facilitate policy that meets the needs of farmers in the respective parts of the UK, but should prevent fragmentation of the UK market or create distortions of competition amongst UK farmers. In short, the framework should seek to deliver a level playing field.

Financial commitments

Through this transition, we expect the government (and any future government) to observe the current commitment to provide the same cash total in funds for farm support as is currently paid out under the CAP. This would need to go beyond the end of the current Parliament if required. Further consideration needs to be given as to how this is calculated in exchange rate terms, and how the total budget is apportioned. 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.

It is imperative that British farmers are treated fairly compared to their EU counterparts.

During the transition period, we believe government should identify cost effective means of developing and financing the necessary trials and pilot work preparing for the future framework. It is imperative that funds are not directed away from active farmers to fund this work. Government should consider developing public private partnerships, for example with research institutes, farm suppliers and processors, and major retailers to underpin this development work. For instance, a number of leading retailers have dedicated supply chain farmer groups that could be well placed to undertake trials and pilot schemes.

In the longer term, a new domestic agricultural policy should maintain current levels of public investment in agriculture, but it is likely that these will be delivered differently to the way CAP support is currently distributed.

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THE VISION FOR A SUCCESSFUL FUTURE FOR FARMING

British farmers create a countryside that works for everyone, providing the raw ingredients for a food and farming sector worth £109 billion and employing nearly 4 million people. It's providing a secure food system within our shores, feeding the nation and delivering a wide range of environmental and countryside benefits. Money invested by government into UK farming is money invested wisely. With the right policy framework, international trade and labour conditions, we are clear that our sector will deliver an even greater return to the country in the years ahead.

To ensure farming continues to deliver, the NFU is calling for government to put in place the building blocks of a future domestic agricultural policy that provides measures for farmers to mitigate the impact of market volatility, increases their productivity and enhances environmental delivery.

Farm businesses should be able to draw down bespoke assistance from across a range of measures within each of these 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 supply chain – delivering “win-wins” on multiple fronts:

Volatility mitigation

- Volatility measures under a future domestic agricultural policy 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 public goods.
- In the short to medium term it is envisioned that direct payments will continue to be the primary mechanism for supporting farm businesses with the impacts of market volatility. In the medium to long term the UK should look to develop market based tools which complement such measures in helping to smooth the impact of market forces on farm incomes. Mandatory price and volumes reporting must be introduced across a number of sectors to increase market transparency as a basis for risk management tools and greater market orientation.

Improving Productivity

- Improving agricultural productivity is not simply about producing more. Rather, a more efficient use of inputs improves productivity and crucially this is beneficial to a number of environmental objectives, such as reduction of greenhouse gas emissions, better management of nutrients and allowing 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 calling for a comprehensive programme of measures aimed at improving agricultural productivity and tackling key barriers to seeing productivity improvements on farm. This would be supported by wider government policy initiatives in areas such as planning policy, fiscal and monetary policy and the regulatory environment.

Enhancing the Farmed Environment

- The NFU is calling for a future domestic agricultural policy that ensures farmers can continue to deliver for the environment and enhance it further. We call on government to recognise that farms will be in the best position to manage land for environmental benefit if they are profitable, competitive businesses and that the activity of food production need not run contrary to achieving positive environmental outcomes.
- We are calling for a policy that provides farmers with management and investment options that deliver on a wide variety of environmental objectives available across the country. We should look to trial new approaches to rewarding environmental delivery through exploring new ways of assessing the true value of environmental management and different forms of agreements.

Creating the right conditions for change

- The NFU is proposing a phased approach following our withdrawal from the EU.

Phase 1 in the immediate years following our exit will seek to deliver stability and certainty for our farm businesses. Pilots and trials should be put in place.

Phase 2 will allow time for comprehensive review and assessment of the terms of our withdrawal and the successfulness of trials and pilots put into place in phase 1.

Phase 3 would see the switch to a new, bold and ambitious domestic agricultural policy. The precise timing of this would depend on the results of a comprehensive impact assessment from government and a clear understanding of the impact of trade and policy changes on British farming.

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