

Tenant Farmers Association

Increasing Farm Productivity – The Need for a New Farm Productivity Scheme

1. Introduction

- 1.1 The Tenant Farmers Association (TFA) is the only organisation dedicated to representing the interests of the tenanted sector of agriculture in England and Wales. Its membership comprises farms of all types and sizes but active, family farms predominate. As such, the TFA represents the interests of those within the agricultural industry who do not own the land on which they are operating their farm businesses.
- 1.2 The TFA believes that the opportunities presented by Brexit to the UK agricultural industry are unprecedented. The ability to create a new, dynamic policy to shape the future of farming in this country is unique. The delivery of public goods financed through state funding will be an important aspect of this but must be matched with a firm commitment from the Government to work with the industry to deal, head on, with the challenges that have beset agriculture for decades including volatile markets, uncertain weather, disease outbreaks, vulnerabilities within supply chains and low levels of profitability that have stifled investment. So, whilst the TFA supports the development of outcome focused agri-environment schemes, this must be accompanied by initiatives that support farm business development. Therefore, the TFA welcomes the Government's commitment to boost the economic performance of UK agriculture.

2. The Agriculture Bill

- 2.1 The TFA welcomes the fact that the Agriculture Bill introduced to Parliament on 12 September 2018 goes further than solely outlining the methods by which Government will support farmers after Brexit. The TFA was pleased to see recognition of the need to strengthen fairness within supply chains including through enhanced transparency of market data and correction of market failures through intervention in extreme market conditions.
- 2.2 Furthermore, the need to maintain our high environmental and animal welfare standards in the way we produce our food and manage our countryside, is of key importance. However, this must go hand in hand with protecting those standards as part of our international trading

relationships and ensuring that UK farmers receive a fair return from the supply chain for working to those high standards.

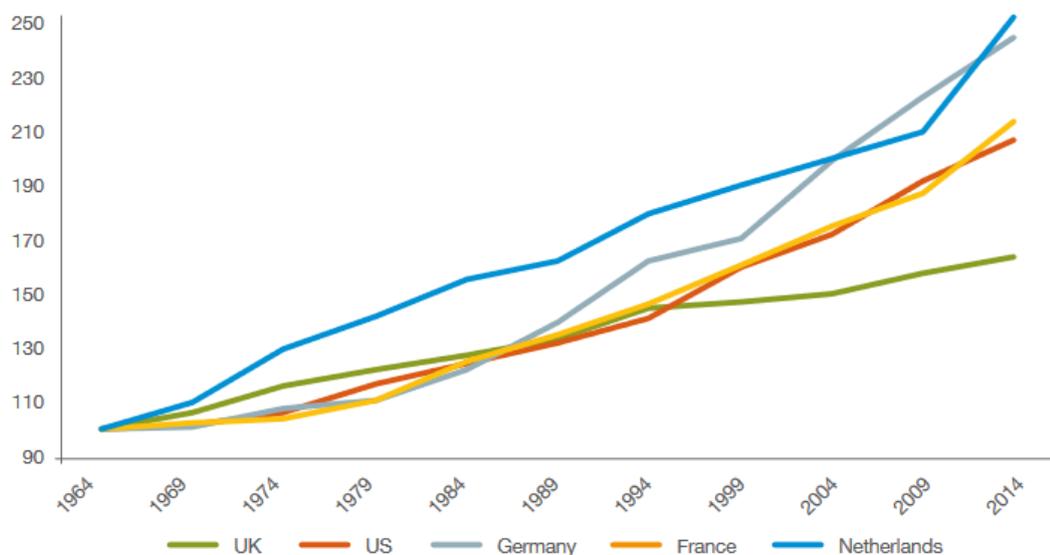
- 2.3 The commitment outlined in the Government’s policy statement accompanying the Bill, to create a sector that is fit for the future, able to manage risk effectively and resiliently is welcomed. Much will depend upon the extent to which the Government chooses to use the powers that it is intending to reserve to itself through the new legislation. We need to see the establishment of clear, coherent policy goals and initiatives which support rather than compete with one another.

3. The Productivity Problem

- 3.1 It has been widely reported that the UK has suffered from weak productivity growth in recent years compared to historic trends, a problem known as the “productivity puzzle”, and from lower productivity levels compared to other developed nations, an issue known as the “productivity gap”.

- 3.2 The UK farming industry has suffered from a generation of underinvestment caused principally because of low levels of profitability making it difficult for farm businesses to generate a sufficient return on capital to justify the necessary borrowing required to finance reinvestment.

Chart 1: Total Factor Productivity (TFP) annual growth 1964 – 2014



Source: AHDB

- 3.3 Through its productivity measures the Agriculture Bill, supported by the Government policy statement, provides the mechanism to deal with these issues. The TFA wishes to work with the Government to create a firm platform for the farming industry to thrive in the post Brexit era, fostering growth and enabling ongoing investment to drive productivity.
- 3.4 The TFA has called for the Government to instigate a Farm Productivity Scheme to provide access to finance through a plan led, farm strategy initiative. Having a robust and tangible action plan to dramatically accelerate productivity will enable UK agriculture and horticulture to succeed post Brexit. This will only be achieved through matching essential Government assistance with an industry commitment to farm planning, benchmarking, the adoption of new technology, engagement in knowledge exchange and skills training.

4. Drivers of Productivity Growth

4.1 Industry structure and creating a fairer supply chain

The development of a post Brexit policy will need to be informed by the context within which UK agriculture finds itself not least in relation to trade. Whilst the industry is not concerned about facing further competitive pressure, this must be on a level playing field in terms of the standards within which we are operating. UK consumers must be protected from sub-standard imported products whilst, at the same time, ensuring that we do not inadvertently support animal welfare practices abroad which are banned at home or environmental practices which would be considered damaging.

The National Treatment rules of the World Trade Organisation (WTO) allow members to apply the same rules to imported products as they apply to domestically produced products. The Government's use of these provisions will be vital to ensure competitiveness drives productivity rather than stunting it.

Ensuring fairness in the supply chain will also be an essential factor in driving productivity. Farmers are often left as the weakest player in the supply chain as they are price takers on both inputs and outputs. This imbalance in the supply chain has previously been identified by the Government which led to the introduction of the Groceries Code Adjudicator (GCA). It will be vital that extended powers for the GCA are granted or that further measures are put in place to shift this imbalance in the supply chain.

The TFA applauds the Government's intention to introduce statutory contractual codes and mandatory written contracts which will encourage greater data transparency for example by implementing agreed pricing formulas.

The establishment of Producer Organisations (POs) and support for cooperation and collaboration more generally will provide another vehicle for productivity improvements.

Case Study: Dairy Crest Direct (DCD)

DCD is the only independently financed representative group of its kind in the UK. It was set up and was officially recognised as the first EU and UK Government approved Dairy Producer Organisation (DPO) in 2015.

DCD represents circa 1,000 farms from across England and South Wales, who collectively supply more than 1.5 billion litres of milk each year.

The group has powers to influence decisions on future pricing and contract options by negotiation and is currently working with Dairy Crest to create full integration of the Voluntary Code for Milk Supply Contracts.

4.2 Business planning

Individual businesses making long-term plans to invest in their holdings will drive productivity whether investment is required in infrastructure, adopting new technology or identifying methods to better use available resources. The TFA believes that encouraging and supporting farm business planning will assist with the enhancement of farm productivity.

The TFA is calling for grants, loans and loan guarantees to be made available under a Farm Productivity Scheme to assist farmers in making plan led investments. These farm plans should be developed in consultation with productivity scheme local advisers (Project Officers) or qualified advisers and should identify areas where assistance with investment is required. The plans themselves would remove the need for an onerous application process which often accompanies current sources of public funding.

Through centrally funded Project Officers and in conjunction with qualified professionals such as agronomists, business plans would be agreed prior to funding being accessed and followed up annually to check delivery. Project Officers will need to be knowledgeable about the industry and have autonomy, within a broad framework, to have flexibility

in the way in which schemes operate and grants, loans and loan guarantees are made available.

4.3 Knowledge exchange and skills

Whilst there may be a significant number of opportunities for technical skills training, there is very little around business management, leadership, innovation, marketing and technological improvement. There is a need to create a resource where such skills can be learnt, and the TFA would advocate the establishment of a National Advice Service with the aim to upskill the agricultural industry. On a regional level, training groups should receive funding to deliver knowledge exchange programmes with local advisors who can support individual businesses to drive productivity. This might be delivered in one or more of the following ways:

- One to one tailored advice
- On farm or collective training programmes
- Farmer to farmer led groups

Case Study: The Prince's Farm Resilience Programme

The Prince's Farm Resilience Programme offers free business skills training to family farms across the UK.

Up to 300 farms can join the programme each year and participate in a series of seven workshops which focus on different business skills to maximise profitability and resilience. Topics include business planning, understanding accounts and budgeting, and exploring new opportunities for the farm.

Alongside this, every farm receives one-to-one on farm support to take part in a Business Health Check Tool to look at their strengths and weaknesses and benchmark costs against similar farms.

The programme brings together like-minded farms in local groups and gives families the tools to evaluate their viability and long-term sustainability enabling them to make informed business decisions on their future direction.

4.4 Securing labour

The need for a secure labour supply is essential to ensure that agriculture increases productivity and current labour shortages are one of the major obstacles for farm businesses. Under the heading of farm productivity and delivered through the National Advice Service, the ability for

businesses to upskill staff through training programmes with grant funding would help attract and retain skilled staff in the industry. If access to migrant labour is to be restricted, it will be essential to ensure that the industry and Government are working together to achieve a significant improvement in the extent to which UK born labour will fill the gaps created.

4.5 Investing in near market research, development and innovation

Collaboration, communication and cooperation are key drivers to get ideas off the ground. Farmers, industry bodies and businesses all play key roles in ensuring ideas turn in to the best available techniques and move the industry forward. Much of today's current research and development funded by the private and public sectors is focussed on blue sky research. This has resulted in a lack of near market research and development and subsequently there has been relatively little advance in technological development at farm level in comparison with previous time periods.

The adoption of small ideas can make a holding more efficient and productive. Through the National Advice Service and supported by local Project Officers, the TFA would expect farmer to farmer learning to increase innovation and collaboration if funds were pledged towards this.

4.6 Improving access to finance

It is commonly held that the most important drivers of productivity are innovation, investment in physical capital and investment in human capital (education and training).

To get these drivers moving, the ability to access funds, without barriers will be vital for active farm businesses. These funds should be provided through grants, loans and loan guarantees. Guarantees will be particularly important for the tenanted sector. As set out above, these funds would be accessible through a plan led approach.

4.7 Natural capital

Environmental features such as geography, field size and historic structures can limit a holding's productivity however, investment in natural capital such as improving soils, water and air can contribute to making a holding more productive.

Whole holding assessments, as part of the farm plan, would ensure natural capital is assessed and considered. Improving these assets would contribute towards productivity and deliver more under the public money

for public goods banner. Investing in a robust and sustainable Farm Productivity Scheme will bring benefits that will contribute towards the Government's 25 Year Plan for the Environment.

4.8 Security

With increasing rural crime and decreasing rural police resources, farms need additional security infrastructure which can be very expensive. Losing key bits of machinery, arson and other losses from crime can have a major, debilitating effect on individual businesses. Part of the productivity measures should be to aid investment in required security infrastructure as part of the farm plan.

5. Implementing Farm Productivity Schemes

- 5.1 The basis of the Farm Productivity Scheme, to be available to all farm businesses, should be individual, farm plans. Although bespoke to each farm, they will need to be drawn up against published guidelines and with the assistance of local Project Officers who will also be responsible for annual reviews of the plan to allow for approval of each year's investment grant or loan in the context of a multiannual scheme. Plans should set key objectives and measurable outcomes and identify areas requiring investment in farm infrastructure, technology or skills. Appointed Project Officers should have the respect of the farming businesses in their locality, practical knowledge of the industry, the authority to make agreed changes to schemes once underway and the ability to encourage collaboration between scheme participants.
- 5.2 The annual reviews of plans carried out by Project Officers will provide opportunities to assess the success of the implementation of plans and ensure they remain on target. Plans will need to be flexible to allow for minor changes to be made to ensure the overall end targets are reached.
- 5.3 Funds identified on conception of the plan would be paid over the period of the scheme. These yearly payments would follow the annual assessment and only be paid if the agreed plan was being carried out by the applicant or there were reasonable grounds to allow for unforeseen circumstances.
- 5.4 The scheme must be open to all farmers. Bearing in mind the considerable differences in security of tenure operating within the tenanted sector of agriculture, the TFA advocates the case for two scheme options as follows:

- 1) Short Term Productivity Scheme. Allowing farmers who manage land on a short-term basis to be eligible. Investment options for the short-term schemes would be limited to non-fixed assets which drive business productivity.
- 2) Long Term Productivity Scheme. With the consent of landlords (where applicable) for which there should be a requirement for such consent not to be unreasonably denied or delayed, farmers should be able to plan long term schemes which would allow for investment into infrastructure even where the applicant does not have occupation of the land for the length of the scheme. If the applicant leaves the holding during the continuation of the scheme the incoming occupier should be obligated to honour the agreement.

6. Summary and Conclusion

- 6.1 The Government's Industrial Strategy places productivity at the forefront of its aims. The desire is to create the circumstances for the economy to boost productivity and earning power throughout the UK. The aim is that by 2030 the UK should be the world's most innovative economy.
- 6.2 For British agriculture the need to focus on increasing productivity is vital as we head towards the post Brexit era. The development of the initiatives outlined in this paper will take time. However, the need to implement a robust and tangible strategy is vital. A platform such as the Farm Productivity Scheme described here will provide all farmers with the opportunity to make a step change in their businesses and lead to an economic transformation where UK agriculture is known for its innovation, profitability and success.

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