

Tenant Farmers Association

Response to

Health and Harmony: the Future for Food, Farming and the Environment in a Green Brexit

Executive Summary

Background

The tenanted sector of agriculture is responsible for farming at least one third of the agricultural area of England and Wales and approaching half of that is now under Farm Business Tenancies (FBTs). It is therefore a very significant constituency of interest in its own account.

The Tenant Farmers Association (TFA) recognises the opportunity afforded by Brexit to put in place bespoke policies for food, farming and the countryside in the four countries of the United Kingdom and we recognise that this is a time of change, not just for agriculture but for the nation as a whole. The TFA wishes to work collaboratively with Government, the Devolved Administrations and other stakeholders to ensure that we are able to put in place sustainable policies for food, farming and the environment which create resilient, profitable businesses working to high standards of food quality, environmental management and animal welfare.

The fundamental question that any new policy for agriculture needs to answer is how we can ensure delivery of high quality food produced to exacting environmental, animal welfare and ethical standards at prices that consumers can afford and which deliver a sustainable return to primary producers to enable them to be profitable and allowing for reinvestment.

Agriculture: The Case for Change

The Government is right to highlight the importance of agriculture to the UK and to measure its importance far beyond the apparent economic contribution it makes to GDP. The TFA agrees with the objective of maintaining and improving the economic, environmental and wider benefits derived from farming in any new policy framework developed for the post Brexit era.

We agree that the farming community should be properly rewarded for the public goods which they provide not least landscape, biodiversity, clean air, clean water, soil health and animal welfare. However we must not lose sight of the need for Government to continue to ensure that matters which are “in the public good” are not forgotten including food security and protecting standards of production.

It is important not to consider that only payments under the CAP’s Pillar II deliver public benefits. Payments under Pillar I, whilst not specifically focused on the production of public goods, are sustaining the profitability of businesses which are contributing to the provision of public goods.

It is the case that, at the margin, direct payments distort rental values and we have seen particularly high levels of rent bid by existing farmers looking to attract additional acres on FBTs regulated by the Agricultural Tenancies Act 1995 (ATA 1995).

The TFA agrees that the Government has an important role to play in protecting our high environmental, plant and animal health and animal welfare standards. To achieve this, if direct payments are to be reduced, we need to understand how farmers are to be properly rewarded for producing goods to these standards and protected from imported product which may not be produced to the same high standards.

Moving Away from the Common Agricultural Policy in England

We welcome the Government's commitment to an "agricultural transition". We understand that through this period we will see a move away from direct payments and we support the Government's intention to start with those receiving the highest payments as we believe that this will provide the greatest potential for structural change and helpful, downward pressure on rent levels in particular.

We would argue for at least a five-year transition beyond the point at which we leave the European Union to enable sufficient time to be given to implement new schemes and initiatives. The removal of public support must go hand-in-hand with a new deal for farmers within the supply chain to ensure that they are adequately rewarded. This might take longer than the five years identified and it may therefore be appropriate to apply a sliding scale to direct payments beyond the end of year five whilst supply chain measures are made operational.

We endorse the plan to use the savings from direct payment reductions to develop a suite of new schemes which not only focus on achieving agri-environment outcomes but also provide opportunities for individuals to receive grant aid for plan led farm business investments to develop productivity, profitability and long term resilience.

In developing a new environmental land management system the TFA would encourage the Government to look again at previous schemes, such as Environmentally Sensitive Areas (ESAs) which worked well in the past.

Reform within the CAP

Although it is the case that the CAP brings with it a complicated set of rules and regulations, it is also often the case that it is the manner of its implementation which causes the most problems. We do need to learn the lessons from this and earlier disasters of implementation to ensure that when we develop new policy we do so hand-in-hand with consideration of the means to deliver the policy efficiently, effectively and with the minimum of administrative burden.

An “agricultural transition”

Whilst the TFA agrees that there is a strong case for continuing support for the farmed environment we do not agree that as a whole, direct payments represent poor value for money.

In terms of the approaches identified for applying payment reductions the TFA would prefer the option of applying a cap to the largest payments. We would accept a level of £100,000 for that cap and we do not consider that it would be appropriate to go any lower. The TFA would argue that this cap should apply for a period of five years whilst new schemes are developed to replace those to be left behind.

The TFA is also supportive of the idea of providing the option to allow current recipients to receive their payments without the need to comply with land eligibility rules and that these could be offered to recipients in the form of a bond which they could seek to capitalise in the financial markets.

The TFA is opposed to the suggestion that beyond year one of the transition there would be further reductions to direct payments until the payments had been phased out completely. We do not believe that this is feasible or sensible without significant change within the wider economic framework within which agriculture exists including the establishment of our trading relationship with the EU, reform in supply chains, reform of taxation, reform of agricultural tenancies and protection from inappropriate international competition.

A Successful Future for Farming

Coupled with creating a new outcome focused agri-environment scheme, along the lines of the previously successful ESA approach, the TFA believes that the Government needs to continue to support farm business development and wider market measures. We welcome the Government’s commitment to play its part in helping boost the economic performance of farming.

In the first instance, the Government should instigate a Farm Business Development Scheme to provide annual grants to assist with the implementation of plan led, on-farm investment. Over time, these could move to loans or loan guarantees which would be particularly beneficial to tenant farmers who may not be able to secure sufficient funding from financial markets due to lack of capital in terms of security.

County Farms

The TFA supports strongly the Government’s intention to encourage a vibrant network of county council smallholding estates for both new entrants and progressing farmers.

Agricultural Tenancies

The TFA highlights the work of the Tenancy Reform Industry Group (TRIG) which reported to DEFRA in October of last year with a significant number of recommendations in light of the UK's decision to leave the European Union.

The TFA asserts that Farm Businesses Tenancies let under the ATA 1995 lack the necessary security of tenure for a vibrant, productive and prosperous farm industry. The TFA has been advocating the following fiscal changes to stimulate a more sustainable approach to letting land:

1. Restricting the generous, 100% Agricultural Property Relief from Inheritance Tax (currently available to all landlords regardless of the length of time for which they are prepared to let land) only to those prepared to let for 10 years or more, or on new tenancies (eg successions) with security of tenure under the Agricultural Holdings Act 1986.
2. Clamping down on those land owners who, through schemes promoted by agents and accountants, are using share farming, contract farming, share partnerships and grazing licences as thin veneers of trading activity and as vehicles for aggressive tax avoidance since in practice they take no risk in the business, have little, if any, entrepreneurial input and lack any management control.
3. Offering landlords prepared to let land for 10 years or more the ability to declare their income as if it was trading income for taxation purposes.
4. Reforming Stamp Duty Land Tax to end the discrimination against longer tenancies.

A further issue to be resolved is "dual use" which allows an owner of land who has let it to an agricultural tenant, to enter the land into an agri-environment scheme and receive the benefits from the scheme directly. This practice supports the non-active individual and provides the opportunity for landlords to impose scheme requirements on their tenants who often get no return from the scheme itself. These practices must be outlawed in any new arrangements.

Agricultural Technology and Research

We need a more coordinated programme of near market research and development which builds in the views of users whilst at the same time looks at innovative ways to encourage technology transfer and knowledge exchange.

Labour: a skilled workforce

The TFA would wish our labour requirements in the food and farming sectors to be resolved through a mechanism which focuses on a needs requirement and allows access to labour supply from across the globe while we develop new technology which may displace some labour in the very long term.

Public Money for Public Goods

The TFA supports the Government in producing a new agri-environment scheme based on the principles of public money for public goods as a part of a wider policy for support of agriculture and not as a replacement for the entirety of the support mechanism.

It will be important to ensure that any schemes developed are relevant not only to other occupiers but to tenant farmers and to ensure that only active farmers are allowed to participate in the new schemes.

The TFA believes that whatever environmental, animal welfare and ethical standards are introduced domestically must also be applied to imported product and raw materials into the food processing sector. Also, the TFA believes that standards should be inspected at the point of sale and not at the farm gate to ensure that all products on sale are meeting the highest standards possible.

Hill and upland areas of England are important national assets from a number of perspectives. By their very nature they are physically, socially and economically remote. Agriculture continues to be, and should continue to be, the mainstay of economic and environmental management for these areas. We need a fundamental review of the decision which led to the abandonment of payments for breeding livestock in the uplands and the development of a new scheme for the long-term which will deliver an integrated upland environmental land management reward package with stock rearing at its core.

Public Access to the Countryside

The TFA would be opposed to any proposal to further extend public access to farmland on a compulsory basis. Management of public access and of the expectation of access users is also important.

Changing the Regulatory Culture

Much has been said down the years about changing the regulatory culture to produce better more targeted and more effective regulation. However very little has been delivered. Even in the arena of agri-environment, there is been much talk of the need to move towards more outcome focused measures and yet they current suite of schemes available are probably the most process driven we have seen for years.

A change in culture presents an opportunity for regulatory bodies to streamline the inspection regime to reduce the burden that it brings to the farmer. Farms are often inspected by a range of regulatory bodies to ensure standards are being met causing unnecessary stress and cost to farmers.

Risk Management and Resilience

A specific tool that the TFA would like to see developed to assist with volatility is to make available to every farmer a facility to deposit profits into a contingency fund on a tax-free basis to be used on a regulated draw down system for when profitability comes under

pressure either due to high input prices, low output prices, adverse weather or plant and animal disease.

We should also explore Government backed, insurance style approaches particularly focusing on adverse weather and plant and animal disease.

Ensuring Fairness in the Supply Chain

The TFA believes that ensuring fairness in supply chains must be the top focus for the Government in planning for the post Brexit era if it wishes to reduce the industry's reliance on public funding. This imbalance in supply chains is a demonstration of market failure and is a legitimate, priority area for Government to consider given that when markets fail, society loses out.

There is a growing recognition that the food supply chain in the UK is dysfunctional and all too often it is the farming community which bears the brunt of the problems that this produces. The TFA believes the Government should think again about extending the remit of the Groceries Code Adjudicator (GCA).

The TFA notes that some seek to argue that through changes in agricultural policy, as a result of leaving the European Union, a benefit for the nation would be cheaper food for consumers. This is presented as a gain for consumers. However, the TFA would challenge this assumption both in terms of the accuracy of the assessment and the long-term impact within the supply chain. Further driving down prices paid to primary producers undermines the long-term sustainability of farming and its ability to deliver wider public benefits. We do not believe that it is in the long-term interests of consumers to see our agricultural industry displaced by a greater reliance on imported product produced to standards which would not be compatible with those to which we aspire domestically.

Devolution: Maintaining Cohesion and Flexibility

Having been part of the EU single market we will need to tread carefully to ensure that we do not create barriers to trade within the UK market through emerging differences within the four countries of the United Kingdom. The UK's various Governments, Parliaments and regulators should take every step to retain and protect a market access for food, agricultural commodities, live animals and plant products throughout the UK.

The TFA also believes that it would be appropriate that the current spend on policy across the four administrations should be broadly similar in the post Brexit environment as it has been as a member of the European Union. Any future expenditure must be kept at least in line with current levels of expenditure at a UK level and allocated in proportion to the current levels of expenditure in each of the four countries with no one country receiving less than now.

An agreed common framework across the four countries of the United Kingdom is a must.

International Trade

Whilst a new free trade agreement between the UK and EU is negotiated, we will need to have a sufficiently long transitional arrangement whereby reciprocal access to each other's markets is sustained. Therefore it would be sensible to place a time limit on the transitional period for trade. This transitional period needs to run alongside negotiations for the free trade agreement and only cease to be operational when the free trade agreement is ready for implementation.

Free trade with the rest of the world can only deliver benefits to wider society if it is operating within a perfectly competitive market but this is a set of assumptions which bear little relation to the reality of modern marketplaces.

The National Treatment Rules of the World Trade Organisation (WTO) allow members to apply the same rules to imported products as they apply to domestic products. This will require that the standards to which we wish to aspire are enshrined in legislation. If our standards mean anything then we need to be finding ways of protecting them. We need to protect our high animal welfare and environmental standards both at points of sale and at our borders.

Legislation: the Agriculture Bill

The TFA recognises the need for primary legislation to underpin much of the Government's new food, farming and countryside policy for the post Brexit era. However, we believe that there is a significant amount of legislative cover available to the Government within the Natural Environment and Rural Communities Act 2006.

The TFA is disappointed that the list of sections highlighted for inclusion within the Agriculture Bill does not include changes to agricultural tenancies given the extensive work carried out by TRIG at the behest of DEFRA Ministers which resulted in many recommendations which either were approved with a consensus of stakeholders or at least with an overall majority.

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, we represent the interests of those within the agricultural industry who do not own the land on which they are operating their farm businesses. The TFA welcomes the opportunity of commenting on this important Command Paper and looks forward to further discussions with DEFRA as its plans develop and are implemented not least through the proposed new primary legislation planned for later in the year.
- 1.2 The tenanted sector of agriculture is responsible for farming at least one third of the agricultural area of England and Wales and approaching half of that is now under FBTs. Sector by sector, the proportion is slightly higher in the livestock and dairy sectors and slightly lower in the arable sector. In addition, the TFA is aware of a significant amount of informal letting arrangements where rent changes hands on the basis of little more than a hand shake. Adding this together with the formally recorded tenanted sector could bring the total amount of land farmed by non-owners under some form of tenancy agreement to around 40% of the total agricultural area of England and Wales. It is therefore a very significant constituency of interest in its own account.

2. Background

- 2.1 The TFA recognises the opportunity afforded by Brexit to put in place bespoke policies for food, farming and the countryside in the four countries of the United Kingdom and we recognise that this is a time of change, not just for agriculture but for the nation as a whole. The TFA wishes to work collaboratively with Government, the Devolved Administrations and other stakeholders to ensure that we are able to put in place sustainable policies for food farming and the environment which create resilient, profitable businesses working to high standards of food quality, environmental management and animal welfare. The TFA believes that profit is the key element in this as the other outcomes stem from the ability for farm businesses to be profitable.
- 2.2 The fundamental question that any new policy for agriculture needs to answer is how we can ensure delivery of high quality food produced to exacting environmental, animal welfare and ethical standards at prices that consumers can afford and which deliver a sustainable return to primary producers to enable them to be profitable and allowing for reinvestment. To achieve this, we believe that the principles of any new policy should be as follows:
 - (i) To correct for market failures.
 - (ii) Enhance food security by reducing reliance upon imports of temperate products.

- (iii) Ensure that high standards of food safety are applied equally to domestically produced and imported products.
- (iv) Ensure equality of other production standards between imported and domestically produced food.
- (v) Enhance the economic productivity of agriculture and assist with input and output price volatility.
- (vi) Provide efficient delivery mechanisms for the production of public goods including landscape management, biodiversity enhancement, soil management, clean air and water and public access.

3. Identifying Market Failures

- 3.1 In seeking to address market failures, the TFA identifies five principal areas that any agricultural policy should seek to address:
- 3.2 First, as economies grow and individuals become more prosperous, they will tend to spend a diminishing proportion of their disposable income on food. This means that those who are responsible for producing food (i.e. farmers) will see a decreasing proportion of national income spent on the products which they make. This is why farmers as a group find it difficult to reap the benefits of economic growth enjoyed by others in society. As incomes rise consumers are also noted to trade up to consume more processed, pre prepared and restaurant food where the value added goes to parties beyond the farm gate.
- 3.3 Second, the structure of food marketing, particularly in the UK, has become such that producers face an unfair and wholly unbalanced platform upon which to do business with processors and retailers. As examples, in the sugar sector there is one, single, monopoly processor in the UK which has, in the past, used its monopoly position to the disadvantage of sugar growers throughout the whole of England and in the milk sector, there are only a handful of processors and a handful of large retailers purchasing milk from those processors. Across the whole range of agricultural products, producers face a very small number of large retail outlets and heavy concentration in the food service sector. This unbalanced structure leaves most producers in a very vulnerable position. Even with a properly resourced Groceries Code Adjudicator with adequate powers, these problems are likely to carry on for some time into the future.
- 3.4 Third, the market cannot deal effectively with issues of long-term food security. The UK is already in a position of only being able to satisfy around 70% of its temperate food needs from domestic sources. There has never been any indication provided by Government as to when we should begin to get worried about the level of food security nationally. The TFA is concerned that the current structure of food marketing takes too much of a short-term approach to this issue and feels that there needs to be a more adequate expression of the Government policy towards food security in the long term.

- 3.5 Fourth, it is inherently difficult for the market to factor in increased animal welfare and environmental benefits into the pricing structure for food. UK farmers, as noted above, are facing a large degree of regulation in these areas and they are unable to pass the costs of this up the food chain. This is particularly important in the context of trade when the assumption is often made that we are dealing with homogenous products. However, with food produced to different standards internationally it is vital that we protect what is important to us in terms of standards to ensure that producers are not undercut by producers of products employing lower standards that would not be acceptable domestically. Too often too many retailers and food service outlets appear unconcerned about ensuring that customer aspirations on food standards are met.
- 3.6 Fifth, there is a general lack of awareness amongst consumers about the differences in quality of the products which they are purchasing when comparing UK sourced and internationally sourced products. Whilst they might see beef from Ireland, Brazil or Argentina as beef with a different label, it is the case that products from those countries are not perfect substitutes because they have been grown under different conditions and different regulations. More effort needs to be put into making sure that consumers are aware of these differences when purchasing their food.

4. Foreword to the Command Paper

- 4.1 The TFA is concerned that the Secretary of State's foreword sets the wrong tone for the remainder of the Command Paper. As noted above, the TFA agrees that the decision to leave the European Union provides a once in a generation chance to reform agricultural policy and we must ensure to grasp fully the opportunities this affords. However we do not accept much of the polemic set out in the Foreword. We do not believe that the CAP has dictated how we farm our land. Farming decisions have been made by individual producers against the policy background and it is often the case that it is the manner in which we have decided to implement aspects of the CAP that have caused the most problems rather than the parent policy itself. Other drivers also have an impact including planning, taxation and regulation of the supply chain. That is not to say that we believe the CAP is in any respect perfect, or sacrosanct or beyond reproach. Equally, we believe that we need to use the opportunity to develop bespoke policies which better fit our national circumstances and priorities.
- 4.2 The TFA also disagrees with the unsubstantiated statement that over the period of membership of the European Union our environment has deteriorated. The TFA accepts that, under a different set of policy priorities, we did suffer environmental losses through the early years of our membership of the European Union however, since the middle of the 1980s the UK has been at the forefront of developing agri-environment policies which have been effective in rebuilding our environmental capital over the past 30 years. Farmers have proved themselves to be responsive to positive Government policy in this space. It is disappointing, however, that poor scheme design and inept delivery of Agri-environment schemes are currently causing

many farmers to be turned off from involvement in such schemes and this does need to be addressed in the development of future policy in this area.

- 4.3 We recognise that productivity issues are an issue not just for UK agriculture but for the UK economy as a whole. Again, however, we do not believe that we can lay our productivity problems at the door of the CAP given that other European countries with the same CAP appear to be faring better than the UK in terms of productivity growth. It is also important to look at absolute levels of productivity as well as changes over time. The TFA would argue that in comparison to some parts of the globe UK agricultural productivity is high and therefore year-on-year changes may lag behind those that may be seen in other parts of the globe where absolute levels of productivity are much lower. Notwithstanding this, the TFA does agree that we need to ensure that UK farmers are operating as efficiently as possible and therefore we do need to look at how we can enhance levels of productivity within the farming sector.
- 4.4 Public health may be under pressure but this has little to do with the CAP and has more to do with wider supply chain issues, income inequalities, issues of food sovereignty, lifestyle choices, the growth of convenience foods and poor diet. Farmers are not responsible for any of that. Farmers deliver high quality, healthy food into the supply chain and it is what happens beyond the farm gate that is the problem. This is despite the fact that processors and retailers are able to capture a significant proportion of the value-added between the farm gate and point of sale to the consumer. Issues of public health need to be examined through a more comprehensive lens than just the CAP.
- 4.5 We agree that soil health is under pressure but rather than this being attributed to the CAP, we believe that this has more to do with a tendency towards short term interests in land. Soil condition has also suffered through the use of short term agreements. The TFA is particularly concerned about short lengths of term on FBTs let under the Agricultural Tenancies Act 1995 (ATA 1995) which de-incentivises good practice for improving soil health. The TFA also asserts that the growth in contract farming arrangements is leading to problems in this respect. It is right that these issues should be addressed in any future policy by encouraging longer lengths of term on tenancies and focusing support on active farmers.
- 4.6 The TFA agrees that the system of paying farmers according to the land they have at their disposal has led to increases in farm rents particularly in situations where existing owner occupiers are seeking to take on marginal acres and are willing to pay more than the economic level of rent in order to achieve a greater level of subsidy. However, we do not believe that this is the reason for higher land prices, which we do see as a problem within the UK. Land prices are being kept artificially high as a result of a benevolent taxation system for land and this needs to be addressed. However, many farm businesses are working hard, doing the right thing by the environment, animal welfare and local communities, for whom the Basic Payment Scheme represents the difference between financial security and bankruptcy. Simply removing direct payments without significantly adjusting other policy areas will be a

recipe for disaster. It is therefore essential that the Government takes a systems approach to policy and does not consider individual aspects in separate silos. The Basic Payment Scheme may be a blunt instrument but it is not without its merits in providing much-needed support for businesses who are unable to attract a sufficient return from the marketplace due to the market failures identified at the beginning of this response.

- 4.7 It is not until the fifth paragraph that the foreword recognises the huge efforts of the farming community to deliver high quality products whilst protecting the environment and sustaining rural communities. What we must now do is develop a suite of policies which ensures that UK farmers and other land managers are able to deliver more of this, more efficiently, everywhere. We welcome the Government's commitment to doing more to help in this environment and we will look to the Government to use its post Brexit flexibility to the fullest extent possible whilst ensuring that it does not expose us to unnecessary risks particularly within an international trading environment.

5. Agriculture: the Case for Change

- 5.1 The Government is right to highlight the importance of agriculture to the UK and to measure its importance far beyond the apparent economic contribution it makes to GDP. The Government, however, must also recognise that agriculture takes many forms and has a diverse structure. Agriculture includes broad acre arable, intensive horticulture, grazing livestock, dairy farming, upland pastoral systems, high welfare indoor pig systems, free range egg production and a host of other enterprises. Most if not all of these farm types will have owner occupiers, tenant farmers, contract farmers, licence holders, commoners, those with joint ventures, share partnerships and share farmers. In developing new policy the Government needs to consider the impact it will have on this rich tapestry of interests and not assume, as policy often does, that there is a one size fits all solution to the issues being discussed.
- 5.2 The TFA agrees with the objective of maintaining and improving the economic, environmental and wider benefits derived from farming in any new policy framework developed for the post Brexit era. Whilst it will be important to focus on what happens at farm level, in terms of public health, food safety and animal welfare it is essential that the Government has influence over what happens beyond the farm gate. Farmers are often required to meet and provide evidence of high production standards only for those to be undermined through the processing and retailing of that within the supply chain. Therefore, the TFA believes that it is essential for Government to be providing better regulation of the supply chain at the point of sale rather than at just the farm gate.
- 5.3 The TFA understands the Government's focus on ensuring that agriculture continues to provide public goods for society – i.e. those goods where consumption is non-competitive. We agree that the farming community should be properly rewarded for the public goods which they provide not least landscape, biodiversity, clean air, clean

water, soil health and animal welfare. However we must not lose sight of the need for Government to continue to ensure that matters which are “in the public good” are not forgotten including food security and protecting standards of production. We do not agree that food innovation and development will necessarily provide consumers with better, safer, cheaper food. There have been many food innovations which we are now beginning to question not least foods with high fat and sugar contents. We cannot rely upon the market alone to produce sustainable solutions, we must be prepared to intervene to influence economic decisions when it is required.

- 5.4 There is nothing more basic to our future sustainability as a nation as our ability to feed ourselves. Although some within Government believe that as a rich nation we could, if needed import our way out of any future problems, it is too high risk a strategy to rely upon imports of food as the way ahead particularly within an increasingly volatile political environment globally.
- 5.5 That is not to say that international trade is not important. Britain has always been a trading nation and such trade has added to the rich tapestry of our lives as well as providing us with important foreign currency earnings. International trade in food must continue to be an important part of our nation’s identity but we should not rely upon it for our food security.
- 5.6 It is important not to consider that only payments under the CAP’s Pillar II deliver public benefits. Payments under Pillar I, whilst not specifically focused on the production of public goods, are sustaining the profitability of businesses which are contributing to the provision of public goods and providing products to the marketplace which are in the public good but at prices which may not fully reflect their costs of production because they have access to the direct payment. It is not a simple case to say that direct payments are always bad and payments for agri-environment are always good.
- 5.7 It is the case that, at the margin, direct payments do distort rental values and we have seen particularly high levels of rent bid by existing farmers looking to attract additional acres on FBTs regulated by the ATA 1995. This is not the same position for tenants occupying under older style tenancies regulated by the Agricultural Holdings Act 1986 (AHA 1986) where, although the availability of subsidy is a relevant factor in a rent review, it is looked at against a host of other relevant factors which diminishes the impact of the subsidy on the overall level of rent. On FBTs it is often the case that tender rents bid are over and above what might be economically viable from a farming perspective alone.
- 5.8 However, it is interesting that recently produced figures reporting on rents recorded in the Farm Business Survey show that average levels are far below tender levels in respect of FBTs indicating that there are many situations where landlords and tenants are coming to more sensible arrangements on levels of rent. Notwithstanding this, the availability of direct payments is clearly having an impact on the tender market and this needs to be addressed whilst not undermining the sustainability of farm

businesses. It is not therefore the case that the CAP is universally bad for farmers, taxpayers and consumers, it is much more nuanced than that. It is important that we look at this within a system and the reason why farms are unprofitable is not because of the subsidy payments per se but because the returns from the marketplace are too low in comparison with costs of production. This stems from the market failures previously referred to. If direct payments are to be removed from a substantial amount of agricultural production, supply chain issues must be addressed.

- 5.9 Whilst it is notable that the relatively unsupported sectors appear to have achieved success through the supply chain integration, innovation and concentration, there is a limit to the extent to which the same can be achieved for the most heavily supported sectors including grazing livestock. Suckler cow production in the uplands, as part of a mixed grazing system with breeding sheep, would be deemed to be one of the most environmentally beneficial farming systems however it is enormously difficult to farm profitably without support and it is difficult to see how the sorts of supply chain operations which apply for pig and poultry could be utilised to the same extent within these types of system. That is not to say that we should not try but we should accept that methods which have been successful in one sector may not have a direct read across to other sectors. Also, the underlying reasons may not be solely because of the level of support available.
- 5.10 In the area of the standards, the TFA agrees that the Government has an important role to play in protecting our high environmental, plant and animal health and animal welfare standards. To achieve this if direct payments are to be reduced we need to understand how farmers are to be properly rewarded for producing goods to these standards and protected from imported product which may not be produced to the same high standards.
- 5.11 Commenting on the two conclusions of this section on page 15 of the Command Paper the TFA agrees that the industry requires encouragement to invest but if we are to see higher standards and improved self-reliance we do need to understand how the Government will seek to deal with the supply chain issues to provide greater returns to primary producers. We note the Government's desire to use public money to reward farmers to deliver public goods but we also believe that the Government has a significant responsibility to address the market failures which exist within the supply chain leading to less than efficient outcomes against the criteria set for the regulatory standards desired.

6. Moving Away from the Common Agricultural Policy in England

- 6.1 We welcome the Government's commitment to an "agricultural transition". We understand that through this period we will see a move away from direct payments and we support the Government's intention to start with those receiving the highest payments as we believe that this will provide the greatest potential for structural change and helpful, downward pressure on rent levels in particular. However, we are nervous about moving to a new system which is devoid of any direct support given the

supply chain issues we have identified above and the lack of any real policy change within the Command Paper to counter those concerns. As a result, we would argue for at least a five-year transition beyond the point at which we leave the European Union to enable sufficient time to be given to implement new schemes and initiatives. The removal of public support must go hand-in-hand with a new deal for farmers within the supply chain to ensure that they are adequately rewarded. This might take longer than the five years identified and it may therefore be appropriate to apply a sliding scale to direct payments beyond the end of year five whilst supply chain measures are made operational.

- 6.2 We endorse the plan to use the savings from direct payment reductions to develop a suite of new schemes which not only focus on achieving agri-environment outcomes but also provide opportunities for individuals to receive grant aid for plan led farm business investments to develop productivity, profitability and long term resilience. This should include investment in new buildings, fixed equipment, land drainage, water harvesting or skills and training. It is essential that these new arrangements are ready and available to come on stream as soon as these budgets are available for them.
- 6.3 When developing new grant schemes, we must learn from the mistakes of the past. Requiring a minimum level of expenditure or that individuals are required to use any grant to always acquire brand-new equipment undermine the benefits such grant schemes can bring. Such requirements should not form part of any new grant scheme.
- 6.4 In developing a new environmental land management system the TFA would encourage the Government to look again at previous schemes which have worked well. As noted above, the UK was a leading pioneer of agri-environment schemes following the inclusion of environmental objectives within the CAP in the mid-1980s.
- 6.5 The implementation and administration of the Environmentally Sensitive Areas Scheme was seen as a gold standard at the time. It had the benefit of providing a tiered approach to involvement starting with maintaining and protecting sensitive environments through to major land-use change involving grassland restoration and capital projects to walls and vernacular features. It also benefited greatly from the important role of the project officer, on the ground, who was both an advocate for the scheme locally and a trusted adviser to the farming community.
- 6.6 The major limitation of ESAs was their restriction in terms of geography. They were limited to very specific areas of the country. The TFA believes that we can get over this by utilising the work done by Natural England in producing Character Maps covering the whole of England. The TFA therefore urges the Government to look at utilising an ESA type approach which includes both the tiered aspect of involvement and the vital role of the project officer against a set of criteria for outcomes drawn across the Natural England Character Map areas.
- 6.7 We note the reference to the “polluter pays” principle. In adopting this approach we need to properly identify the polluter. The TFA would seek to argue that the polluter

is the ultimate consumer who is unwilling to pay the price for dealing with the consequences of their purchase decisions on the wider environment. This will require the Government to step in to ensure that these consequences are adequately covered. A good example to quote here is single use plastic bags. Previously as these were free at the point of use there was no incentive for individuals to consider the wider implications from their use. The introduction of a relatively small charge has caused a huge swing in consumer behaviour. The TFA believes there is a role to play for Government either in requiring consumers to pay more for higher standards or, preferably, ensuring that farmers are able to retain more of the value-added within the supply chain rather than seeing it disappear beyond the farm gate.

7. Reform within the CAP

- 7.1 Although it is the case that the CAP brings with it a complicated set of rules and regulations, it is also often the case that it is the manner of its implementation which causes the most problems. Recently, the administration by Natural England of Countryside Stewardship and of the Basic Payment Scheme by the RPA has been exceptionally poor, adding unnecessary levels of complexity causing stress and cost in the farming industry. We do need to learn the lessons from this and earlier disasters of implementation to ensure that when we develop new policy we do so hand-in-hand with consideration of the means to deliver the policy efficiently, effectively and with the minimum of administrative burden. Uptake of Countryside Stewardship has been lower than desired, not because of the European rules surrounding the scheme but because of the way in which it has been administered by Natural England. Unlike BPS, which for many farmers is an economic necessity, Countryside Stewardship is a bolt on. In the past farmers have been keen to involve themselves in such schemes but sadly the poor administration has turned many away from considering it as a viable opportunity.
- 7.2 The TFA welcomes the Government's aspiration to improve the administration of both the Basic Payment Scheme and Countryside Stewardship whilst we continue to be governed by the rules of the CAP however it has to be said that we see very little evidence of this having a real impact at the current time. The administration of both schemes continues to be poor and getting worse which inevitably leads to disengagement within the farming community.
- 7.3 In terms of Government priority whilst we remain subject to the current rules of the CAP, the most important consideration will be improvements to the administration of schemes. Most of the burdens faced by the farming community centre around poor administration rather than difficulties with scheme rules and this must be addressed both now and in the context of the development of new schemes for the post Brexit era.
- 7.4 We would also stress the need to ensure that any new schemes are universally available and that barriers are not put in the way due to poor internet connectivity or lack of access to the necessary skills and technology to apply via online only platforms.

The agricultural industry is made up of a diverse age range and many older farmers struggle with using digital only systems. They must not be discriminated against by being forced to use digital only applications for schemes. Poor rural broadband is not an issue which is confined only to upland areas, as seems to be suggested by the paper. It is a widespread problem throughout rural areas and must be addressed both for assisting with productivity and access to new schemes.

8. An “agricultural transition”

- 8.1 Whilst the TFA agrees that there is a strong case for continuing support for the farmed environment we do not agree that as a whole, direct payments represent poor value for money. As noted above, for a large constituency of farmers doing the right thing by the environment, animal welfare and food quality, direct payments remain the buffer between running profitable and unprofitable businesses. This is due to the supply chain issues and market failures identified in this response. If direct payments are to be removed completely, which appears to be the aspiration of the Government, then it will need to ensure that sufficient attention is given to maintaining the sustainability and resilience of the majority of farms delivering goods that are in the public good at prices they can afford.
- 8.2 As previously stated, we do believe that direct payments are causing an impact on rental values at the margin particularly in situations where existing farmers are bidding on additional acres with the understanding that they will be able to obtain entitlement to claim direct payments into the future. Land prices on the other hand are more influenced by the taxation environment within which land is traded and we do believe that this needs to be reformed.
- 8.3 The TFA would argue for a transition period of five years during which we need to have proper consideration of the support environment for the post Brexit era covering both the provision of public goods and the maintenance of a sustainable agricultural industry delivering high-quality outputs to high environmental and animal welfare standards. We cannot have a system post Brexit which only addresses the provision of public goods. The system must also seek to address the market failures and supply chain issues which persist.
- 8.4 In terms of the approaches identified for applying payment reductions the TFA would prefer option (ii) which is to apply a cap to the largest payments. We would accept a level of £100,000 for that cap and we do not consider that it would be appropriate to go any lower. We believe that this would immediately take the pressure off levels of rents payable on FBTs as it will reduce the incentive for existing owner occupiers to acquire additional land to expand their operations and take advantage of the direct payments available with entitlements acquired in the marketplace. The TFA would argue that this cap should apply for a period of five years whilst new schemes are developed to replace those be left behind.
- 8.5 The TFA is also supportive of the idea of providing the option to allow current recipients to receive their payments without the need to comply with land eligibility

rules and that these could be offered to recipients in the form of a bond which they could seek to capitalise in the financial markets. A confluence of opinion is beginning to emerge which suggests that, whatever happens over the next three years, farm businesses need to change. This mechanism could be a very powerful tool in assisting some of the change to take place. The option of a decoupled payment, issued in the form of a bond, tradable for a capital sum, could allow the initial recipient to use the capital receipt to assist with on-farm investment to help drive productivity and profitability, investment into on-farm diversified activity or investment off farm. For tenant farmers, particularly those on older secure tenancies, a bond could also unlock the possibility of a housing solution for future retirement or, coupled with a payment for a tenancy surrender from a landlord, form part of a more immediate move into retirement. The TFA would therefore support the introduction of this approach on an optional basis.

- 8.6 The TFA is opposed to the suggestion that beyond year one of the transition there would be further reductions to direct payments until the payments had been phased out completely. We do not believe that this is feasible or sensible without significant change within the wider economic framework within which agriculture exists including the establishment of our trading relationship with the EU, reform in supply chains, reform of taxation, reform of agricultural tenancies and protection from inappropriate international competition.

9. A Successful Future for Farming

- 9.1 Coupled with creating a new outcome focused agri-environment scheme, along the lines of the previously successful Environmentally Sensitive Areas approach, the TFA believes that the Government needs to continue to support farm business development and wider market measures. We welcome the Government's commitment to play its part in helping boost the economic performance of farming.
- 9.2 In the first instance, the Government should instigate a Farm Business Development Scheme to provide annual grants to assist with the implementation of plan led, on-farm investment in measures such as fixed equipment, cost reduction initiatives, processing capacity, diversification, marketing, cooperative initiatives, producer organisations, climate change adaptation and environmental improvement. The farming industry is suffering from a generation of underinvestment and this is not helped by the relatively low profitability experienced by the sector which causes reinvestment decisions to be fraught with difficulty. Working to enhance productivity through the provision of grants is a must. Over time, these could move to loans or loan guarantees which would be particularly beneficial to tenant farmers who may not be able to secure sufficient funding from financial markets due to lack of capital in terms of security. However, initially it is essential that the Government uses some of the money saved through the reduction in the direct payments in this type of farm business focused development.

- 9.3 In addition, the Government must provide a package of support for near market research & development, technology transfer, promotion, market development, brand development and other supply chain initiatives focused on supporting British produced food. In this respect, the TFA also believes that the role of the Agriculture and Horticulture Development Board (AHDB) needs to be reconsidered to ensure that it is providing best value to levy payers in the post Brexit era. Subject to a fundamental review of its accountability, governance and funding, the TFA believes that AHDB should focus greater effort on market development (both at home and abroad), near market research and development and technology transfer and supply chain issues rather than looking at issues of individual business performance.
- 9.4 However, it would be beneficial for there to be some facilitation of co-operative and collaborative approaches to encourage farmers to develop benchmarking and discussion groups to consider knowledge exchange and technology transfer. In this respect, we would commend the work of the Princes Countryside Fund which has been establishing farmer discussion groups throughout the country encouraging them to develop benchmarking initiatives and wider skills development. We would endorse this model as an approach from which the Government can learn in providing facilitation funding for the industry to set up similar initiatives.

10. County Farms

- 10.1 The TFA supports strongly the Government's intention to encourage a vibrant network of county council smallholding estates for both new entrants and progressing farmers.
- 10.2 One of the biggest barriers for new entrants into farming and those seeking to progress is lack of opportunity. Whilst it is important to provide suitable incentives to new entrants, it will also be important to ensure that viable opportunities for succession are also available. County farms are a significant part of the solution here.
- 10.3 In England, over the past 30 years, we have lost a third of the farmland held by County Councils and the number of tenant farmers on those estates has more than halved. The rules for administration of statutory smallholdings are set out within Part III of the Agriculture Act 1970. Section 39 of that Act provides that:
- “Having regard to the general interests of agriculture and of good estate management, [smallholding authorities] shall make it their general aim to provide opportunities for persons to be farmers on their own account by letting holdings to them”.
- 10.4 In order to meet this objective the TFA believes that where a local authority provides a smallholdings service, it has both to offer opportunities to new entrants and to work to sustain existing tenants in their farming career into the long term, be that on their own estate or in the private sector. It is not sufficient to merely oversee a conveyor belt approach where new entrants come on at one end and fall off at the other when they cannot make the transition to the private sector. Either smallholdings authorities need to put resources into ensuring that their tenants can make the transition to the

private sector or, if this is not possible, to look at extending existing tenancies and providing longer term tenancies for the security of and investment by those granted initial opportunities.

- 10.5 The TFA understands the financial pressures faced by local authorities in managing their various commitments which has led to a number of them becoming actively involved in or considering an accelerated programme of farm disposals. However this move to disposal threatens to undermine the objective of county farms as stated above. Research has shown that county farms are the principal route into farming for new entrants. The long term decline in the number and area of county farms is a major blow to the agricultural industry and the nation's long term interests.
- 10.6 However, the TFA recognises that local authorities can realise significant sums through the sale of individual farms or pieces of land with development potential. The TFA does not oppose such sales as it recognises the benefit of the income to local authorities whilst maintaining (and possibly enhancing) the bulk of the agricultural estate. Yet, once farms are sold they are gone forever. There have been numerous occasions where the development benefit of land and farms sold by local authorities has been taken by the purchasers of the farms. The TFA would advocate that all local authorities look to take a more long term, strategic and patient approach to disposals which will enable maximum benefit with minimum disruption.
- 10.7 Local authorities must consider decisions about disposal or retention of assets in the context of "best value" for council tax payers. It has been increasingly demonstrated that measured against a policy of selling to sitting tenants or disposal to third parties as and when vacant possession is obtained, that best value is more often obtained through county farms being managed in accordance with a sound, asset management plan which allows for major profit taking from future disposals of land for significant development uplift.
- 10.8 The TFA believes that County Council smallholding estates should be viewed as national rather than local assets and as such there should be a greater degree of national co-ordination in their management. The TFA is greatly concerned about the ad hoc nature of policy towards county farms up and down the country. Some local authorities run their estates extremely well and others perform not so well. As noted above, some local authorities have decided to follow a policy of disposal and others one of retention. For such an important asset in the landlord/tenant system a more co-ordinated approach is necessary.
- 10.9 Therefore, the TFA believes that DEFRA has a role to play in achieving this. The Tenancy Reform Industry Group has recently addressed this issue and the TFA endorses its recommendation that the DEFRA Secretary of State should have renewed powers, to improve the scrutiny of current Local Authority County Farms Estates.
- 10.10 TRIG recommended that there should be a formal examination in public or similar independent panel assessment and approval for local authority proposals for their rural estate strategy (including strategic capital disposals where these are proposed

as part of the strategic plan), which must be based on a minimum 15 year Rural Estate Plan with a referral route to the Secretary of State at DEFRA. Independent inspectors should be appointed by the Secretary of State to oversee this.

- 10.11 The Rural Estate Plan for each authority must demonstrate best value and must adhere to the principles of the smallholding estate as set out in legislation. The estate plan must be written in accordance with the published guidelines for good rural estate management published by the Association of Chief Estates Surveyors and endorsed by the members of TRIG. The guidelines are available to view here:

https://www.aces.org.uk/images/editor/TRIG_REPORT-FINAL-WEBpdf.pdf

- 10.12 In the event that the Rural Estate Plan includes proposals for disposals (part or whole), the panel should have the necessary expertise to scrutinise the proposals to ensure best value.
- 10.13 To encourage better management of these important estates, TRIG also recommended that DEFRA introduces a new Infrastructure Grant as part of the suite of measures under any post Brexit agricultural policy. This would assist with capital improvements on smallholdings on estates whose plans had been approved and adopted. The TFA believes that these measures would create a stable, long-term framework for the profitable management of local authority farms.

11. Agricultural Tenancies

- 11.1 The Command Paper asks if existing tenancy law presents barriers to new entrants, productivity and investment. Again, the TFA would refer to the work of the Tenancy Reform Industry Group which reported to DEFRA in October of last year with a significant number of recommendations in light of the UK's decision to leave the European Union.
- 11.2 The tenanted sector of agriculture is of major significance to the wider industry (see paragraph 1.2). In its intrinsic separation of the functions of land ownership and land management it allows individuals to focus on their specific expertise. Landowners concerned about long-term capital values and sustainable land use can articulate those aspirations through the terms of the tenancy agreements they seek to agree with farm tenants, and tenants can use their business acumen and farming skills to invest in and use the land to create an annual profit from which they are able to pay a sustainable rent.
- 11.3 The landlord/tenant system provides liquidity to the most fixed factor of production in agriculture – land. Farm businesses looking to expand or contract can use the flexibility of the landlord/tenant system to meet their objectives without having to be concerned about issues of land ownership. There are many individuals who wish to retain a long-term interest in owning land without wanting to have the responsibility to farm and manage it on a day to day basis. There are also many who lack the necessary capitalisation to acquire land outright in order to allow their businesses to

expand. The landlord/tenant system provides the fluidity for the best economic outcomes to be achieved.

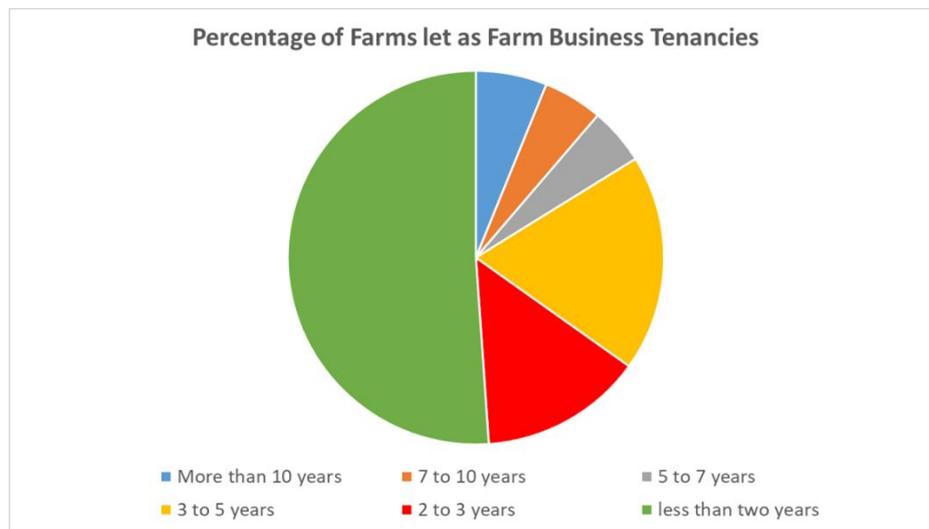
- 11.4 For the vast majority of individuals who would seek to enter farming from outside of the industry, agricultural tenancies remain the only viable route available to them. There has been much talk in recent years about the need to ensure that viable opportunities exist for new entrants. Whilst share farming, share partnership and contract farming arrangements are all helpful at the margin, it is only within the security of an agricultural tenancy that farm businesses without access to owned land can become established, remain sustainable and improve.
- 11.5 Against the background of the importance of the tenanted sector in agriculture, it is essential to consider the current condition of the sector and its future prospects. The conclusions of the TFA's analysis of the current position of the tenanted sector is that it has been adversely affected by short-term thinking from policy makers, landowners and those who seek to advise landowners.
- 11.6 1995 was a clear turning point for the tenanted sector in agriculture. The introduction of the Agricultural Tenancies Act 1995 (ATA 1995) represented a major deregulation of the legislative framework within which agricultural tenancies were governed. A key change was to lengths of term. Prior to the ATA 1995 new tenancies could only be let for the lifetime of the tenant whereas the new legislation provided that there should be no minimum term. A major problem before 1995 was that landlords were reluctant to let farms knowing that they would be let for a generation and as a result, the size of the tenanted sector was in decline. This decline was occurring despite an earlier legislative change in 1984 which removed the rule that made all new agricultural tenancies last for a potential of three generations of tenant from the same family.
- 11.7 However the ATA 1995 has allowed the pendulum to swing too far in the opposite direction with the average length of term on new tenancies now consistently under 4.5 years. The table below is derived from the Central Association of Agricultural Valuers (CAAV) 2016 Agricultural Land Occupation Survey.

Average Length of Term on Farm Business Tenancies 2016 (years)

All Farms	4.48			
Bare Land Only	3.2			
Land and Buildings	4.82			
Land, House and Buildings	14.19			

- 11.8 Whilst the average length of term for equipped holdings is quoted at a little over 14 years (which is an improvement on previous years where it has hovered around 10 years), there is no information about where there might be break clauses inserted in tenancy agreements which could potentially bring those tenancies to an end earlier than their stated length of term without any fault or breach of the tenant farmer. Typically break clauses are inserted by landlords into agreements at five or ten year intervals.

- 11.9 The chart below has also been sourced from the CAAV land occupation survey and shows that over three quarters of farms are let for terms less than five years.



- 11.10 With the amount of land let under the ATA 1995 likely to exceed land let under the AHA 1986 in the not too distant future, the resilience of the tenanted sector will increasingly rely upon FBTs. With average lengths of term as described and with the spread of tenancies offered tending to be skewed to the much shorter lengths, this is a real concern. With such short lengths of term, tenants lack the ability to plan for the long term either in relation to their agricultural activities or in relation to their desire to take part in diversification activities and agri-environment schemes. It is essential that this issue is addressed. The TFA believes that the best way of doing so is through manipulation of the taxation environment within which landlords make decisions about land use.
- 11.11 The TFA has been advocating the following fiscal changes to stimulate a more sustainable approach to letting land:

- Restricting the generous, 100% Agricultural Property Relief from Inheritance Tax (currently available to all landlords regardless of the length of time for which they are prepared to let land) only to those prepared to let for 10 years or more, or on new tenancies (eg successions) with security of tenure under the Agricultural Holdings Act 1986.***

This would be at least fiscally neutral for the Government should all landlords decide to remain in the letting market and let for 10 years or more and fiscally beneficial if a number of landlords continue to let for shorter terms than 10 years. This measure will not increase the number of lettings but will improve the quality of lettings currently offered within the marketplace.

2. ***Clamping down on those land owners who, through schemes promoted by agents and accountants, are using share farming, contract farming, share partnerships and grazing licences as thin veneers of trading activity and as vehicles for aggressive tax avoidance since in practice they take no risk in the business, have little, if any, entrepreneurial input and lack any management control.***

A raft of alternative mechanisms for splitting the ownership and use of land has come to the fore over the past quarter of a century. The list includes share partnerships, share farming arrangements, contract farming arrangements, profit of pasturage arrangements and farm management agreements. These have often been developed not only to circumvent the legislative provisions surrounding tenancies but to construct an environment within which the landowner is able to access the same tax benefits as working farmers.

The TFA's concern is that whilst these arrangements have clearly been put together to create the appearance that the owner of the land is actively involved in land management decisions and taking risk, the reality can be and is often very different. The TFA believes it is wrong that landowners should have the benefit of the more favourable taxation environment that applies to trading entities where they are neither taking risk nor actively involved in the practical management of the holding.

This measure would be at least fiscally neutral for the Government should all affected land owners decide to remain in farming either by using the arrangements mentioned in a proper manner, farming fully in hand or letting their land on bona fide tenancy agreements. The measure could be fiscally beneficial if, as a result of the enhanced checking, land owners were found to be in a position of having to pay more tax.

3. ***Offering landlords prepared to let land for 10 years or more the ability to declare their income as if it was trading income for taxation purposes.***

Whilst this could be fiscally negative for the Government it is more likely to be fiscally neutral as many more landowners using platforms including share farming, contract farming, share partnerships and grazing licences to avoid paying tax, will find letting land for a longer period of time to be more attractive.

4. ***Reforming Stamp Duty Land Tax to end the discrimination against longer tenancies.***

This is likely to be at least fiscally neutral for the Government as vanishingly few longer tenancies are being offered in the marketplace currently.

- 11.12 Alongside the taxation changes to encourage longer FBTs, which will be a necessity for the post Brexit era, there is a further change which the TFA would advocate both to discourage inflationary pressures on land prices whilst, at the same time, providing greater scope for the provision of much needed fixed equipment on tenanted holdings. This is a change to the operation of Capital Gains Tax rollover relief.

- 11.13 Though not directly impacting upon the interests of TFA members, the TFA has been concerned about the inflationary impact on land prices caused by the extent to which Capital Gains Tax rollover relief is obtained following the investment of a capital gain into agricultural land. Such investments are popular because they are considered safe and provide taxpayers with access to further tax efficient ways to manage their wealth including in relation to inheritance tax.
- 11.14 However, it is a regret that landlords are unable to obtain rollover relief in respect of capital gains invested into fixed equipment on let holdings which would have a beneficial impact on farm productivity, profitability and resilience. The TFA believes that there is merit in considering a rebalancing such that items of fixed equipment on tenanted holdings are added to the list of assets that can be used for capital gains tax rollover relief and that this is paid for by abolishing rollover relief on land purchases (except where land has been lost through compulsory purchase). This rebalancing would ensure that this measure was fiscally neutral.
- 11.15 A further impediment to landlords letting for longer periods of time is the difficulty in terminating an FBT through forfeiture for non-payment of rent or other breach of covenant in the tenancy agreement. The TFA believes it would be sensible to provide landlords, who are prepared to let for periods of over 10 years without landlord's break clauses, more effective, certain and timely remedies where a tenant is in breach of the terms of an FBT.
- 11.16 There is a different range of issues impacting tenants occupying land and farms under the auspices of the AHA 1986. A recurring theme is restrictive tenancy agreements where farm tenants are often restricted by one or more the following:
- 1 Investing in fixed equipment on the holding without landlords consent.
 - 2 Diversification on the holding without landlords consent.
 - 3 Off farm employment without landlords consent.
- 11.17 The TFA agrees with the recommendation of TRIG that where a clause in an AHA 1986 tenancy imposes a restriction on a tenant in any of the areas outlined above, the tenant should be able to serve notice on the landlord which can be taken to arbitration if the notice is challenged. Any dispute would then be resolved on the basis of the extent to which the activity was needed for the full and efficient farming of the holding or for environmental management or that the landlord's withholding of consent was unreasonable.
- 11.18 The TFA also agrees with the recommendation of TRIG that AHA 1986 rent reviews should be referable to third-party determination as with other non-notice to quit disputes under the legislation. Arbitration has become an expensive, time-consuming and oppositional route to resolving simple disputes between parties particularly over rent. Third-party determination provides the opportunity for a simpler, more cost-effective process.

- 11.19 To assist with matters at retirement, the TFA supports the recommendation made by TRIG that tenants on AHA 1986 agreements should be able to convert them into fixed term assignable tenancies at an open market rent which could be sold in the marketplace subject to the landlord preventing this by buying out the tenant's life interest. A capital sum obtained by the tenant for the assignment can be used to fund retirement as can any compensation provided by the landlord in lieu of an assignment. The possibility of the landlord providing the tenant with compensation for his life interest should encourage tenants to think earlier than they might otherwise have done about retirement.
- 11.20 On farm succession, the TFA believes that it would greatly assist progressive, young farmers looking to succeed to abolish the commercial unit test and look at improving the suitability test so that higher calibre individuals are successful in obtaining succession to their parents' holdings.
- 11.21 A final issue to be considered under the heading of agricultural tenancies forms part of the policy framework currently operated by DEFRA for agri-environment schemes. Regardless of the fact that an owner of land may have let land to an agricultural tenant, it is still possible for the land owner to enter the land into an agri-environment scheme. Known as "dual use" it effectively supports the non-active individual and provides the opportunity for landlords to impose scheme requirements on their tenants who often get no return from the scheme itself. These practices must be outlawed in any new arrangements. Potential beneficiaries should only be those considered active farmers by being in occupation of the land they are farming, taking the entrepreneurial risk for the decisions made in relation to the management of the farm and remaining in day to day management control.

12. Agricultural Technology and Research

- 12.1 It is certainly the case that we need a more coordinated programme of near market research and development which builds in the views of users whilst at the same time looks at innovative ways to encourage technology transfer and knowledge exchange. Over time, research and development has become too remote from the needs of the farming community and there would be merit in establishing some form of users forum to engage with those funding and undertaking research to ensure that research is addressing the real issues the farming community believes are priorities. A particular priority will be mechanisms to replace some of the chemistry which is now no longer available to UK farmers as a result of regulatory change.
- 12.2 Again, alongside DEFRA the TFA would suggest that there should be a role for AHDB here in ensuring that it is using its influence with academic and research institutions to ensure that ongoing research is relevant to the needs of industry.

13. Labour: a skilled workforce

- 13.1 One of the consequences of the U.K.'s decision to leave the European Union is a squeeze on the availability of labour particularly within the dairy, pigs, poultry,

horticultural and food processing sectors. This has been caused by three specific factors. Firstly, the devaluation of Sterling that has reduced the value of salaries paid to EU migrant workers in Euro terms by 20%; secondly the uncertainty over the future status of migrant workers from the EU within the UK; thirdly, in certain quarters, a general feeling amongst migrant workers that they are no longer welcome within the UK. These reports have come directly from employers both at the primary production level and in secondary processing, particularly meat processing.

- 13.2 It must also be recognised that there is a general unwillingness amongst the indigenous labour force to take up some of the employment opportunities provided within the agricultural and food processing sectors, despite the fact that they are comparatively well paid against similar grade positions in other sectors of the economy. There is a culture change required and the industry stands ready to work with the Government to find a way of displacing migrant labour with domestic sources of labour into the long term. However, we cannot afford to find ourselves in a situation where access to labour is restricted. If this occurs, the agricultural sector will simply shrink to the available labour resource either in direct response to its ability to attract labour for primary production or because the processing sector has shed capacity due to labour constraints.
- 13.3 The further reason for labour shortage at this time can be illustrated by the most recent data from the Government's own labour market survey issued in April 2018. This shows that there were 815,000 job vacancies which is just below the figure of 855,000 individuals claiming unemployment related benefits. The labour market is currently incredibly tight giving those seeking employment a greater degree of choice and flexibility than they have had in recent years.
- 13.4 The TFA rejects the suggestion made that the issues are merely a matter of demand and supply and that employers should simply be providing greater levels of payment. As noted above, these roles are already comparatively well paid when looked at against similar grade positions in other parts of the economy. It is also important to understand the market failure that exists which does not allow primary producers and food processors to recover increased costs by securing greater rates of return from the supply chain. It is too simplistic an argument to say that employers should look to pay more to workers when there isn't sufficient surplus from which to fund that additional level of payment.
- 13.5 The TFA believes that it is inappropriate to be considering skills gaps rather than needs gaps. The current visa system employed by the UK sets too high a bar to be able to accommodate the needs of the agricultural and food processing sectors for labour. The TFA welcomes the work that the Migration Advisory Committee has been asked to undertake but is concerned that its results will be produced too late for the early years of the Brexit process. It is also vital in any needs-based assessment that both seasonal and permanent labour requirements of agriculture and the food processing sectors are considered. The TFA would wish to see a mechanism to allow these needs

to be filled with the use of migrant labour from all parts of the world until we are in a position to fulfil those needs from domestic sources or from changes in technology.

14. Public Money for Public Goods

- 14.1 The TFA would support the Government in producing a new agri-environment scheme based on the principles of public money for public goods as a part of a wider policy for support of agriculture and not as a replacement for the entirety of the support mechanism. As noted above, the TFA believes that the mechanisms used in Environmentally Sensitive Areas should be looked at again for the development of the new scheme. The tiered approach coupled with local advice, information and support through active project officers who would be advocates on behalf the scheme is the best way to take this forward. Project officers should be given sufficient autonomy to be flexible against the achievement of a list of agreed outcomes for each Natural England Character Map area.
- 14.2 In terms of policy evaluation, rather than attempting to hold a large database of everybody who is participating, it would be more sensible to have regular ex-post evaluations carried out by universities or other research institutions as used to be the case with all new Government policies in the past. Again, the TFA would point DEFRA back to the evaluation reports carried out in the 1980s and 1990s into schemes such as ESA's, The Farm Diversification Grant Scheme, five-year set-aside and Countryside Premium. These assessments provided a good basis for assessing value for money and outcomes rather than having to have large IT projects which Government struggles to operate efficiently.
- 14.3 It will be important to ensure that any schemes developed are relevant not only to other occupiers but to tenant farmers and to ensure that only active farmers are allowed to participate in the new schemes. As noted above, dual use has created situations where landlords have been able to access scheme benefits whilst passing on scheme requirements to tenants through clauses in tenancy agreements. This must not be a feature of the development of a new scheme.
- 14.4 UK farmers are already at the forefront of high animal welfare standards globally. However they do not always receive a fair return for the additional costs and effort involved in compliance with high standards. It is not always the case that labelling is able to direct consumers appropriately towards purchasing high animal welfare products in comparison to those which may have been produced to lower standards.
- 14.5 TFA members are happy to produce to whatever standards are required however they do want to be assured that the market will recognise high standards and reward them accordingly. This is not always the case not least because of unfair competition from imported product produced to lower standards and which is not sufficiently differentiated on supermarket shelves. The TFA believes that whatever standards are introduced domestically must also be applied to imported product and raw materials into the food processing sector. Also, the TFA believes that standards should be

inspected at the point of sale and not at the farm gate to ensure that all products on sale are meeting the highest standards possible.

- 14.6 This response has already dealt with productivity and competitiveness and the need for the Government to ensure that it is investing appropriately in improving on farm fixed equipment, skills and training. We believe that this should be plan led and that this should be facilitated through any new scheme.
- 14.7 Hill and upland areas of England are important national assets from a number of perspectives. By their very nature they are physically, socially and economically remote. Agriculture continues to be, and should continue to be, the mainstay of economic and environmental management for these areas despite the severe natural handicaps encountered by farmers who operate in hill areas.
- 14.8 These areas are also extremely important in the wider agricultural industry as they represent the beginning of the livestock production chain. It is the crop of lambs and calves from our breeding flocks and herds in hill areas that are finished further down the hill on lowland units before entering livestock markets and abattoirs on their way to supermarket shelves and food service outlets. This system of integrated production has operated in the UK for centuries and the impact of the loss of breeding flocks and herds in hill areas experienced over recent years should not be underestimated in terms of the impact on the wider economy, rural social structures and the rural environment.
- 14.9 Farming in hill areas provides the most reliable and coherent basis upon which the management of our most beautiful and yet fragile landscapes and ecology will be achieved. The knowledge contained within the farming community in hill areas is invaluable and must be the primary source for new policy development. It is not overstating the case to say that the skills of livestock and moor management are bred into hill people and just as the sheep are hefted so are the people. Without the hill community in the uplands making money from ruminant production, the landscape will change out of all recognition in a short period of time. Once it has gone it will be nearly impossible to get back.
- 14.10 Given the harsh and fragile conditions experienced by farmers in the hills, land management is both costly and difficult. Without public support many of these farms would find it impossible to break even. Hill areas have been badly affected by a number of major shifts in policy and in reward structures over the past 20 years. The TFA would argue that the most significant of these negative impacts was the introduction of the Single Payment Scheme in 2005. It provided a specific, major blow to farming in uplands and had wider ramifications through the ending of payments on breeding livestock rendering those enterprises relying upon breeding stock in difficulty and now in decline.
- 14.11 The previous Suckler Cow Premium and Ewe Premium (and their LFA supplements) provided an essential base line level of support to cattle and sheep breeders in hill areas. The rationale for removing them was that the breeder should look to the

market place for his return. However, the reality of the situation is that no extra return has been gleaned from the market place following the removal of the breeding premiums which has led to the contraction of cattle and sheep numbers in the hills which has in turn led to inevitable implications for the natural environment including the incursion of bracken and other evidences of under grazing. The TFA's view is that renewed consideration should be given to how upland livestock production should be supported for the food, environmental and social benefits it brings.

- 14.12 We need a fundamental review of the decision which led to the abandonment of payments for breeding livestock and the development of a new scheme for the long-term which will deliver an integrated upland environmental land management reward package with stock rearing at its core.

15. Public Access to the Countryside

- 15.1 The TFA would be opposed to any proposal to further extend public access to farmland on a compulsory basis. An extension as of right would not build in the necessary requirements of management particularly on land which is essentially the factory floor of the farming community. We know already that farms are dangerous places for those that live and work on them and it is essential that we take sensible precautions to avoid access users being exposed to unnecessary risk. However, that is not to say that we are opposed to increasing the amount of managed public access for which farmers are adequately rewarded in terms of their management of the access.
- 15.2 Management of public access and of the expectation of access users is also important. The TFA is concerned about a lack of understanding within the public generally about what constitutes "the right to roam". TFA members regularly report de facto access over uncultivated areas, including conservation strips and grassland, which are not part of the right to roam. We have reports of disturbance caused by such access and unpleasant exchanges when farmers attempt to explain rights and responsibilities to members of the public. A specific concern here is access with dogs around livestock where, despite the best efforts of the farming community and others we still experience a high incidence of dog related attacks on livestock. Fresh produce growers also face particular problems with access users bringing dogs on to land in view of the nearness of their harvested product to consumer tables. These examples highlight the need for careful thought and management before further public access is promoted.

16. Changing the Regulatory Culture

- 16.1 Much has been said down the years about changing the regulatory culture to produce better more targeted and more effective regulation. However very little has been delivered. Even in the arena of agri-environment, there has been much talk of the need to move towards more outcome focused measures and yet the current suite of schemes available are probably the most process driven we have seen for years. This needs to change.

- 16.2 Farm inspections must also be as much about education as they are about applying sanctions. Of course poor practice needs to be identified and stopped but there are many cases where alleged failings could be better resolved through dialogue rather than immediately reaching for a sanction.
- 16.3 A change in culture presents an opportunity for regulatory bodies to streamline the inspection regime to reduce the burden that it brings to the farmer. Farms are often inspected by a range of regulatory bodies (some voluntary some compulsory) to ensure standards are being met causing unnecessary stress and cost to farmers.

17. Risk Management and Resilience

- 17.1 It must be recognised that the current system of support available to the farming industry, principally through the Basic Payment Scheme, is a risk management and resilience tool. It may be a blunt instrument but it is protecting many farmers from bankruptcy who are doing the right thing by the environment, animal welfare and their local communities. Therefore, an important consideration to ensure that we are targeting risk management and resilience is to implement a new, broader and more UK centric set of agricultural policies which provide for the wider objectives identified by the Health and Harmony document. This cannot be done simply with a narrowly focused agri-environment approach based on the principle of public payments for public goods. The Government must also have a mind to issues that are “in the public good” such as food security, high standards and fairness in supply chains as well as dealing with market failures.
- 17.2 A specific tool that the TFA would like to see developed to assist with volatility is a facility made available to every farmer to deposit profits into a contingency fund on a tax-free basis to be used on a regulated draw down system for when profitability comes under pressure either due to high input prices, low output prices, adverse weather or plant and animal disease. The fund would operate much like an ISA but without the limitation on the level of investment, or at least a much enhanced level of investment to make sense in the context of farming operations. It might be expressed as a percentage of each farm’s turnover. That way, farm businesses could be left to manage their own way through volatility within agreed parameters.
- 17.3 The TFA is unconvinced that insurance style arrangements such as those that operate in other parts of the world (for example the US and Canada) would have the same application within the UK. Particularly on crops, we do not suffer from the same level of yield variation as seen in other countries. However, we do believe that we should be exploring all possibilities and there may be a role for Government backed, insurance style approaches particularly focusing on adverse weather and plant and animal disease.

18. Ensuring Fairness in the Supply Chain

- 18.1 The TFA believes that ensuring fairness in supply chains must be the top focus for the Government in planning for the post Brexit era if it wishes to reduce the industry’s

reliance on public funding. Too often farmers are left as the weakest players in supply chains squeezed by both those who are supplying inputs and those who take their outputs. Farmers are price takers on both inputs and outputs. Processors, retailers and others are able to use their power in the marketplace to transfer unfair levels of risk and excessive costs to those upstream of them in the supply chain.

- 18.2 The imbalance in supply chains is a demonstration of market failure and this is a legitimate, priority area for Government to consider given that when markets fail, society loses out. That market failure evidences itself through practices such as late payment of supplier invoices, unexplained deductions or requiring suppliers to pay fees over and above previously agreed levels.
- 18.3 Unfair practices have already been identified by the UK Government and led to the establishment of the Groceries Code Adjudicator (GCA) to oversee direct supply contracts with the biggest 10 UK retailers. The Government has recently decided not to extend the remit of the GCA which the TFA believes was a missed opportunity.
- 18.4 The GCA has had a positive impact on the groceries market by ensuring that there is a greater focus on the principles of fair trading and that retailers are now more aware of the need to ensure that they are not using their dominant position within the supply chain to engage in inappropriate practices. However the extent of the influence of the GCA is limited by its current legislative powers both in terms of the scope of its remit and its ways of working.
- 18.5 The TFA welcomed the GCA investigation into the activities of Tesco which resulted in an adverse report with recommendations for practices to be improved. This took a considerable amount of time and resource. However, the TFA believes that a greater degree of impact could be achieved if the Adjudicator had powers of inspection of retailers on specific issues at no or short notice.
- 18.6 The TFA understands that the GCA has done a considerable amount of good work behind the scenes with retailer code compliance officers who have sought to change the culture of their commercial organisations. However again, this can only go so far and unless or until the Adjudicator has a deeper remit to look at the full supply chain, the GCA will only be scratching the surface of the issues.
- 18.7 There is a growing recognition that the food supply chain in the UK is dysfunctional and all too often it is the farming community which bears the brunt of the problems that this produces. Poor returns, last-minute changes in orders and specifications, unfair competition from abroad and poor labelling are all contributing to the pressures at farm level.
- 18.8 Sadly, well-meaning initiatives aimed at improving supply chain relationships on a voluntary basis have failed to have the necessary traction across the board. The introduction of the GCA in 2013 was a major step forward in beginning to tackle the patent market failure that exists in the retail supply chain for groceries but now we

must deepen and broaden the Adjudicator's powers and work to address problems in some of these other areas.

- 18.9 Despite the Government's recent decision against extension, we believe that the Government should think again about three principal changes which need to be made to the remit of the GCA.
- 18.10 First, the Adjudicator must have the power to initiate own initiative investigations. Currently the Adjudicator is only able to act on complaints. In the same way that OFSTED has the powers to investigate the performance of schools on its own initiative and with very short notice, the same powers should be provided to the Adjudicator to be able to investigate code compliance amongst retailers. The new powers must provide the GCA with the ability to look at individual or specific issues of code compliance and require retailers to provide evidence, when inspected on these specific areas, which demonstrates their code compliance.
- 18.11 Second, the GCA needs to be given a role to look at the whole of the supply chain and not just direct suppliers to retailers as is currently the case. Given that the vast majority of farm produce passes through at least one processor if not more before it hits supermarket shelves, the Adjudicator is therefore unable to consider the impact of retailer activity on many farmers. None of the issues highlighted above could be looked at by the Adjudicator without an expansion of the GCA's remit.
- 18.12 Third, whilst not wanting to give the Adjudicator the power to fix prices, the Adjudicator should have the powers to investigate and report on the balance of pricing throughout the supply chain to ensure that each of those involved in the supply chain, from farmer through processor to retailer, has information upon which to base their negotiations. One of the requirements for a perfectly functioning free market is access to market knowledge. Such information on the balance of returns is not widely available and therefore there is the need for the Adjudicator to be given the powers, responsibility and resource to plug this gap.
- 18.13 Giving the GCA the ability to look at the whole of the supply chain and powers of short or no notice inspection would together provide a potent check against bad practice within the supply chain. The availability of information on returns will be of great assistance in allowing farmers and farmer groups to negotiate better deals with processors and retailers.
- 18.14 The TFA recognises that the Government has come forward with a number of ideas to try and improve poor practice including the following:
- A £10 million farmer collaboration fund to encourage farmers to have greater ability to influence contracts.
 - A statutory instrument setting out terms for mandatory contracts in the dairy sector.

- A statutory instrument setting out rules for mandatory sheep carcass recording.
- Asking the newly appointed Small Business Commissioner to look at the issue of late payments.
- Adding to the list of retailers covered by the current Groceries Code.

18.15 The TFA sees this list of offerings as second-best in comparison to the comprehensive regulatory framework that could have been achieved through extending the remit of the GCA. However, we will work with Government to ensure that these are implemented in as robust a way as possible. In respect of mandatory contracts in the dairy sector the TFA would caution against creating too rigid a structure for dairy contracts which may, in the end, work against the interests of dairy farmers. However, the TFA holds that dairy farmers should be rewarded for their production in line with returns received by processors, retailers and food service outlets for the milk that they acquire from dairy farmers. Statutory provisions should be used to underpin this logic. The TFA will work with the Government to draw up such arrangements and, if successful in the dairy sector, seeing how they might be applied in other sectors.

18.16 The TFA has taken note of the suggestions that have been made that through changes in agricultural policy, as a result of leaving the European Union, a benefit for the nation would be cheaper food for consumers. This is presented as a gain for consumers. However, the TFA would challenge this assumption both in terms of the accuracy of the assessment and the long-term impact within the supply chain. On the former, across many communities, the differential between EU internal market prices and world market prices is now negligible in comparison to the era pre-decoupling of support payments. The extent to which we will see commodity prices fall is therefore severely limited. It is also important to recognise that, generally speaking, only a small proportion of the price paid by the consumer can be attributed to the cost of the basic product coming from the primary producer. Much more of the cost of food is added through the remainder of the supply chain in processing, distribution, retail and other points of sale.

18.17 In any case, further driving down prices paid to primary producers undermines the long-term sustainability of farming and its ability to deliver wider public benefits. We do not believe that it is in the long-term interests of consumers to see our agricultural industry displaced by a greater reliance on imported product produced to standards which would not be compatible with those to which we aspire domestically.

19. Devolution: Maintaining Cohesion and Flexibility

19.1 Having been part of the EU single market we will need to tread incredibly carefully to ensure that we do not either deliberately or inadvertently create barriers to trade within the UK market through emerging differences within the four countries of the United Kingdom. Devolution does provide scope for each country to concentrate on policies which are important to them but this must not come at a cost of undermining

the extent to which we can trade freely with one another within the context of the United Kingdom. This will matter most immediately to those farm businesses working across the UK's internal borders who may have to follow two different regulatory standards. However, it also matters to every farm and food business that depends on trade within the UK single market should different standards for production methods or product standards become barriers to trade.

- 19.2 This must be achieved with diplomacy and consultation across the four countries, always ensuring that each of the four countries has an equal voice at the table. There is a danger that the English voice will be conflated with the UK voice and that would be something that could hamper progress. The TFA argues that we need a separate English voice at ministerial level as distinct from the UK position. Rightly, the Devolved Administrations argue that they have a legitimate right and expectation to be consulted on the overarching framework for agriculture and that legally it must be agreed by negotiation rather than imposed by Westminster.
- 19.3 The UK's various Governments, Parliaments and regulators should take every step to retain and protect a market access for food, agricultural commodities, live animals and plant products throughout the UK. Farming Ministers across the UK and agricultural departments must establish and maintain regular, formal and cooperative arrangements to manage policy, legislation and delivery of regulation across the UK economic area. No part of the UK should be able to act, or avoid action, that threatens to curtail access for other parts of the UK to third country markets, or that question the UK's adherence to its international agreements.
- 19.4 The TFA also believes that it would be appropriate that the current spend on policy across the four administrations should be broadly similar in the post Brexit environment as it has been as a member of the European Union. We do not believe that any "Brexit dividend" should be subject to the Barnett formula. Any future expenditure must be kept at least in line with current levels of expenditure at a UK level and allocated in proportion to the current levels of expenditure in each of the four countries with no one country receiving less than now.
- 19.5 We welcome the Joint Ministerial Committee's initiative to identify the principles and those areas of policy that are best agreed at a UK level. We agree strongly with the principles outlined within section 13 of the Command Paper and we urge that the four parts of the UK continue to work collaboratively to develop a shared understanding of how policy affecting farming is devised and delivered. An agreed common framework across the four countries of the United Kingdom is a must.

20. International Trade

- 20.1 We note the position of the UK Government seems to be hardening around the idea of having some form of free trade agreement with the EU's Single Market or Customs Union rather than being part of the Single Market itself or within the Customs Union. Being able to export to the European Union will continue to be important for the UK farming industry. Other European countries will also be interested in protecting

access to the UK market. We are only just beginning to understand how complex the trading links are between the UK and the other countries within the Single Market. The component parts of countless processed food and drink products traverse country borders many times before the finished products are produced. Everyone agrees that securing a bespoke trade deal between the UK and EU Single Market will take time but there is a vast degree of disagreement on how long this might take. Some say three years some say as much as 10 years. Whilst this is negotiated, we will need to have a sufficiently long transitional arrangement whereby reciprocal access to each other's markets is sustained while a bespoke trade agreement is negotiated. Therefore, the TFA does not believe that it would be sensible to place a time limit on the transitional period for trade. This transitional period needs to run alongside negotiations for the free trade agreement and only cease to be operational when the free trade agreement is ready for implementation.

- 20.2 Turning to the wider world, free trade is often promoted as being a universal good which benefits us all and proponents of the free trade doctrine react to those who express an alternative view with disdain. However, free trade can only deliver benefits to wider society if it is operating within a perfectly competitive market and the TFA would venture to suggest that this is a set of assumptions which there is little if any relation to the reality of modern marketplaces.
- 20.3 As an example, sugar has become a touch point for the debate over free trade in the post Brexit era. British farmers are being accused of protectionism in seeking to promote the benefits of the production of sugar from beet by those who rely upon imported cane to refine their sugar. The argument being made is that since the end products are chemically indistinct from each other it must make sense to make purchasing decisions only on the price of the product on international markets and we should not have any restrictions on trade that would seek to benefit one against the other.
- 20.4 One of the assumptions in the model of perfect competition required for successful free trade is the homogeneity of the product. In other words the goods or services we import rather than source from the home market are essentially the same with the only difference being the price that we have to pay to secure the supply. Given the identical chemical formulas for sugar from beet and cane it is easy to understand why the free traders have focused upon sugar to make the case. But look a little deeper and can we truly say that both products are the same?
- 20.5 A factor that has grown in importance in our domestic market is the environmental impact of supply chains. The Government's 25 year plan for the environment sets out to find ways to minimise negative environmental impacts in supply chains and to maximise the opportunity to drive environmental benefits. If we are to take this wider paradigm into proper account it makes no sense if we subject our purchasing decisions on the domestic market to a set of environmental criteria without doing the same for how we decide on purchases on the international market.

- 20.6 Sugarcane production is highly demanding of water and is often grown in plantations which have been responsible for degradation of local wildlife habitats and soil damage. Harvesting normally requires the burning of the crop with consequential environmental and human health implications. Questions have also been raised about the socio-economic impact of sugar cane production with concerns about low wages and poor conditions for sugar cane workers and impacts on river economies caused by high levels of water abstraction. On the other hand, sugar beet is normally incorporated within farming rotations on a much smaller scale and can be hugely beneficial for wildlife providing habitat for some of our important farmland bird species. Although it is also demanding of water, it is a much less thirsty crop than sugarcane. As a break crop in arable rotations, sugar beet helps with overall reductions in pesticide and fertiliser inputs and provides organic matter to the soil. Sugar beet also contributes to the overall profitability of individual farm businesses which provides the best platform for environmentally sustainable and beneficial businesses.
- 20.7 So before we decide to displace our domestically produced sugar from beet with sugar derived from cane, we need to be clear that we are not comparing like with like and ensure that we are making our decisions taking into consideration all relevant factors.
- 20.8 The National Treatment Rules of the World Trade Organisation (WTO) allow members to apply the same rules to imported products as they apply to domestic products. This will require that the standards to which we wish to aspire are enshrined in legislation. If our standards mean anything then we need to be finding ways of protecting them. In the same vein, we could look to positive policies for import substitution to encourage displacement of imports produced to lower standards with domestic production produced to the standards to which we all agree. The important issue is that whatever standards are agreed and set are not able to be undermined through competition from imports produced to lower standards. We need to protect our high animal welfare and environmental standards both at points of sale and at our borders.

21. Legislation: the Agriculture Bill

- 21.1 The TFA recognises the need for primary legislation to underpin much of the Government's new food, farming and countryside policy for the post Brexit era. However, we believe that there is a significant amount of legislative cover available to the Government within the Natural Environment and Rural Communities Act 2006 and, in particular, the provisions within Sections 6 to 8 which provide the Government with the necessary implementation powers for carrying out proposals, making payments or providing other assistance within the context of schemes to enhance the natural environment, drawing up of management agreements and launching experimental schemes. The TFA would therefore suggest that there is little more that is required within the Agriculture Bill for these issues.
- 21.2 However, the TFA is disappointed that the list of sections highlighted for inclusion within the Bill does not include changes to agricultural tenancies. Given the extensive

work carried out by TRIG at the behest of DEFRA Ministers which resulted in a significant report to Ministers in the autumn of last year with many recommendations which either were approved with a consensus of stakeholders or at least with an overall majority, it is a shame that we do not see reference to this in the context of the Agriculture Bill. Whilst the TFA accepts that the Government may not wish to implement all of the recommendations tabled by TRIG it would at least be helpful to know those which do have Government support and that they will find a way into legislation at the earliest possibility. The TRIG recommendations were in response to the Government's enquiries as to how productivity could be enhanced for the tenanted sector of agriculture post Brexit and it will be a major, missed opportunity if the recommendations made are not taken forward.

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