Northern Ireland Future Agricultural Policy Framework: Stakeholder Engagement

Stakeholder Responses

A

[Click on each name to see their response]

Contents

ABERCORN ESTATES

Abercorn Estates manages the Baronscourt and Belle Isle Estates in Counties Tyrone and Fermanagh respectively. It manages close to 6,000 acres of land across both Estates and between farming and letting oversees the management of around 1,700 acres of agricultural land. It has approximately 3,500 acres of forestry and woodland which is managed predominately on a commercial basis.

It works closely with a range of farming sectors across and is involved with land-based renewable energy projects. It is also an advocate of responsible land management, being a custodian of land designated as Areas of Special Scientific Interest, Special Protection Areas and Special Areas of Conservation. It has been party to numerous agri-environment schemes and continues to avail of such opportunities. It is a rural employer of modest standing, employing approximately 20 people across both Estates as well as being a significant contractor of specialist services.

Abercorn Estates wishes to see the development of a professional and resilient agricultural industry in Northern Ireland, one which is not reliant on direct support but one which delivers high quality agricultural produce, contributes to security of food supply, attracts new entrants and delivers high value conservation and habitat benefits.

It wishes to see continuity of effective and sustainable agricultural policy but one which is ambitious and capitalises on Northern Ireland's exit from the European Union. It believes Brexit presents Northern Ireland with a once in a multi-generation opportunity to address the fundamental issues that affect the agricultural industry today and to deliver a farming sector that can make a significant contribution to the Northern Irish economy, society and environment and believes no other industry has the ability to deliver so many benefits to society - provided policy enables it to do so.

THE FRAMEWORK QUESTIONS

THE "TRANSITIONAL AGRICULTURAL SUPPORT REGIME" 2019-2021

1. **What are your views on the retention of entitlements as the basis of direct support until a new agricultural policy framework is agreed?**

   Until the withdrawal from the EU is complete, and therefore the terms of withdrawal and in particular the future trading arrangements are known, it would be sensible to maintain the existing system of entitlements and allow the phasing of payments towards a flat rate run its course. The completion of the flat rate phasing process will culminate in a level landscape which should surely assist the implementation of any future/replacement schemes by allowing any changes to take effect from a consistent position across the industry. This will create some visibility to allow for businesses to change.

   Moving forward, any new basis of direct support should carefully consider the merits of the entitlement system and whether a new, more efficient and targeted system of support would be better delivered without the use of entitlements.

2. **What are your views on the possible abolition of the greening requirements of crop diversification, ecological focus area and retention of permanent grassland and the incorporation of the greening payment into the BPS entitlement values?**

   The greening requirements apply to a very small number of claimants within Northern Ireland & the cost of implementation probably outweighs the environmental benefits it offers. Whilst environmental sustainability is addressed elsewhere, if any future direct support is to incorporate an environmentally sustainable obligation then it should not impact on the farm businesses' ability to produce those products which the markets demand. This is particularly important if direct support is to be reduced in either scale and/or value, as it will then become even more important that farm businesses are able to compete in the market place and respond to demand without the constraints of a greening type obligation. Although we have no experience of the greening requirements, we understand the ecological benefits are perhaps arguable.

3. **What are your views on the retention of the current ploughing ban on environmentally sensitive permanent grassland (i.e. within Special Protection Areas and Special Areas of Conservation) and how this could be achieved?**

   We believe this ban should be retained and believe it would be better dealt with under the existing Environmental Impact Assessment Regulations which would remove a possible reason for having a direct payment scheme which has such a ban as condition. The EIA Regs are in place and can continue, meaning future payment schemes related to a new agricultural policy need not concern themselves with this issue, safe in the knowledge that the ban will be properly administered.

4. **What are your views on those accepted into the YFP up to and including 2019 continuing to receive payment for as long as they are eligible to do so?**

   At a time when continuity is highly desirable it makes no sense to cease payments under this scheme so long as claimants, both existing and future, remain eligible. If for whatever reason the Department take a different view, then as much time and notification as possible should be provided to allow time to adapt.

5. **What are your views on whether to allow further applications to the YFP and the Regional Reserve after 2019?**

   From 2020 onwards there will be freedom to address the issues which gave rise to the YFP without any constraints that may have been imposed by the CAP/EU regulations. Therefore DAERA should consider the wisdom of continuing with this scheme if there are reasons for change. We are not sufficiently engaged with this Scheme to comment in detail but believe that future policy should address the serious issue of an ageing workforce within the agricultural industry by incentivising new entrants, providing capital investment support and addressing both scale of operation and security of tenure. It will become more important for farm businesses to spread their costs over a larger area and potentially increase output, objectives that in most cases will only be achieved by increasing the average holding size. If this can be achieved by assisting younger farm business managers, then so much the better.

6. **What are your views on the most effective means of encouraging and facilitating generational renewal on farm businesses?**

We are aware of the successful relief measures on income tax in the Republic of Ireland which is applied to the income generated by landowners who let their land out on longer term tenancies. This has been an important factor in encouraging older farmers to hand over the reins to the next generation – if an ageing farming, who will perhaps be reliant on income from the holding for the foreseeable future, can see an opportunity to let land in a tax efficient way which generates an acceptable income in retirement, then he/she may well be incentivised to do so, which in effect may lead to generational renewal. DAERA are strongly advised to look at the merits of this scheme (which as well as potential generational renewal benefits also has productivity benefits by increasing holding size and security of tenure).

Any efforts by DAERA to effect generational change should take into account that invaluable skill and wisdom resides within existing farm businesses and should be cognisant of this, but at all times press ahead with securing generational change as getting land into a potentially more competent, engaged and energised generation will help with improving productivity, efficiency and resilience. There is evidence in the Republic of Ireland which points to improved productivity and efficiencies when farm businesses move under the control of educated, younger management. However, any associated efforts to improve the education of farm business managers should afford opportunities to farmers of any age, if they so wish.

The Department should also consider raising awareness of the implications, or rather the reality, of generational change as we are aware of inaccurate knowledge of the tax regime (principally inheritance tax) which has resulted in no action being taken, when in reality there are no such risks or such risks, with the benefit of proper advice, can be addressed. The Department can work with established professions within the tax, accountancy and rural surveying disciplines to get such accurate information out there.

7. **What are your views on whether the elements of the current direct payments discussed in Section 2.7 could remain in 2020 and 2021?**

Continuity and consistency over the coming years is crucial therefore the elements forming the current direct payments discussed in 2.7 should remain in place in 2020 and 2021. However, that is not to say said elements are without flaw. We note that DAERA state that certain elements could remain but remain 'subject to review' and that gives some comfort insofar as where issues arise the Department will be positively responsive.

The other point is that keeping things 'as they are', however effective or ineffective they are, will give more time to develop the new agricultural policy which would address any deficiencies. Having said that, if future policy becomes sufficiently developed over the coming years, given that action is always better than inaction, moves way from, or changes to, any of these existing elements that may be necessary as a result of said future agricultural policy should be implemented as soon as possible.

8. **Have you any specific suggestions for simplifying other aspects of the current direct payment in 2020 and 2021 which are not mentioned here? If so, please explain your rationale for suggesting these.**

   We have no comment to make here.

INCREASED PRODUCTIVITY

9. **What are your views on a "Productivity Grand Challenge" approach to delivering a step change in the rate of advance in science and innovation?**

   Meeting such a challenge is clearly essential and we would support the aspiration, however its success will be entirely dependent on what this means in practice for Northern Ireland farm businesses. Achieving effective co-operation and collaboration across disciplines and research institutions will be a challenge in itself but if achieved the real challenge will be implement the findings/recommendations in a practical manner at farm level. Having a long term vision, formed with the input of farm businesses, is the first step and this should be a major element of future agricultural policy. From there, the co-operation and collaboration can be secured, following which the results can be delivered at farm level. It will be important to assign responsibility of all of this to a dedicated team/commission/agency that is properly funded, focussed and engaged with the agricultural industry.

10. What are your views on the principle of placing greater policy emphasis and investment in agricultural education and knowledge transfer as means of driving better industry outcomes?

The best way to establish resilience within any business is to drive down costs of production and secure efficiencies, and improve margin, all of which it has been proven is more likely be achieved if business management is in the hands of educated and knowledgeable personnel. Therefore greater policy emphasis on agricultural knowledge and education is highly desirable however it must be accompanied by policy which ensures those with the desired knowledge and education are in a position of influence within the farm business – this will in large part be achieved if the Department succeeds in effecting the generational change referred to in question 6.

11. What are your views on linking qualification attainment with a broader range of policy interventions as a means of incentivising farmer engagement with formal training initiatives?

In theory this is sound and to be encouraged, however any such efforts must be results based to ensure that they are working. A fine balance needs to be struck to ensure that such efforts don't 'discriminate' against equally competent farmers who don't have/need formal training but would benefit from the support of any such policy interventions. Again such incentives should be kept firmly in mind and linked to efforts to effect generational change i.e. encouraging farm businesses to consider succession and bring trained successors in.

12. What are your views on continuous professional development (CPD) as a policy intervention and the possible investment of public funds to incentivise CPD?

We would welcome this considerably. Northern Ireland agricultural should not be unlike any other industry when it comes to training and personal development. Whilst it is of course a very practical, hands-on industry, the need to develop and maintain knowledge and skills is just a relevant in farming than it is in, say, manufacturing. Colleges/universities and on-farm experience will deal with matters of crop and animal husbandry, but business management is perhaps lacking. If direct support is reduced, then greater focus on the finances of a farm business, and identifying market opportunities, are going to become ever more desirable skills and can be established and maintained through CPD. In essence, farm management needs to become more professionalised if Northern Ireland agricultural is to close the gap with its competitors (even at UK level) let along compete on par and CPD is one way of improving levels of professionalism. The policy should aim to create a culture where entering the 'farming

profession' carries the same respect and expectations held by a young person wanting to enter the legal or surveying professions.

13. **What are your views on the provision of investment that is specifically targeted on innovation and new technology uptake and that is aligned to other strategic objectives, notably environmental performance?**

    Investment to improve innovation and new technology uptake which supports environmental objectives is to be highly encouraged. Indeed, it will be essential that if there is any intensification in farming practices in order to improve business viability under future policy, investment must be made to ensure such intensification does not degrade the already pressurised natural environment.

14. **What are your views on the provision of investment incentives other than capital grant (such as loans, loan guarantees, interest rate subsidies etc.)?**

    Investment incentives such as those stated above will be effective in a properly functioning market. Capital grants risk being awarded to businesses which are not performing well, whereas a loan (with its inherent obligation to repay) will ensure investment is directed to those businesses that are viable and successful. However, it should not be lost that capital investment, in a highly capital intensive industry, can lead to significant improvements in business performance and in the case of environmental protection can lead to investment in infrastructure which protects the environment, and which without a grant there would be no incentive to construct.

    A fine balance is required but any future investment incentives, be it grant or loan, loan guarantees etc need to be structured in such a way to ensure they deliver results and truly transform or enhance the farm business or the environment. Whatever the incentive, the Department should include all stakeholders from the very beginning of the scheme design stage, such as the banking sector, planning officials, agents etc.

15. **What other initiatives by government and/or industry should be pursued to facilitate restructuring and investment and drive productivity?**

    As mentioned already, the Republic of Ireland is an example where a fiscal measure can help to fundamentally change land tenure and assist in restructuring, which in itself improves investment and productivity.

    Around 30% of land in Northern Ireland is let under the short term grazing licence known as Conacre. With a typical period of 7 to 8 months, such agreements by their

short term nature do not incentivise investment in the land such as liming and other nutritional inputs. The Sustainable Agricultural Land Management Strategy for Northern Ireland stated that:

- Our grass utilisation is significantly below optimal levels
- Less than 10% of our farmland has an up-to-date soil analysis
- 64% of our soils are not at optimum pH

The report then immediately thereafter refers to Conacre as a barrier to the investment needed to address the above deficiencies.

Tenancies offer the opportunity for farmer and landowner to enter into longer term agreements that will give confidence to the farmer to invest in the land. There is growing knowledge of tenancies within Northern Ireland and an associated growth, albeit minute, in the number of tenancies in place. There is significant capacity for this to grow if a fiscal incentive akin to the Republic of Ireland's income tax scheme is implemented and greater information and education surrounding tenancies is provided, including the dispelling of persistent inaccuracies surrounding the tax implications of tenancies.

If anything, the Department should look to, as a minimum, implement the recommendations of the Sustainable Agricultural Land Management Strategy for Northern Ireland for these alone will achieve significant improvements in productivity.

IMPROVED RESILLIENCE

16. What are your views on the provision of a basic farm resilience support measure?

Northern Ireland farming occupies a unique position in terms of its reliance on the livestock sector and its geographical location. It is exposed to the threats of a unfavourable trading agreement with the EU by virtue of its trade with its direct neighbour, the Republic of Ireland, and is exposed to the higher costs of production it has always faced in terms of its trade with Great Britain and the presence of the Irish Sea which gives rise to increased transport costs. These factors are in addition to the turbulent nature of the agricultural commodity market and the climate which has always affected the industry.

Taking all of this into account, in the context of the present uncertainty and the unavoidable disruption and change that will emerge over the coming years, the industry will likely need more resilience support than ever in the short to medium term.

However, businesses that are profitable without direct support are by defintion the most resilient and that should be the ultimate objective of any agricultural policy. If direct support is to be retained in any way, it should be focussed on delivering tangible improvements in business performance so that more businesses are profitable without subsidy and/or designed to deliver real environmental benefits. The continuing support of non-viable farming operations through direct support is not sustainable and such funding could be invested elsewhere, however effectively allowing farm businesses to fail through the withdrawal of direct support will have undoubted impacts on society and culture in certain areas, and also the landscape, therefore a social opinion on where support is to be directed perhaps needs to be taken into account. It cannot be assumed that levels of funding available to the agricultural industry is likely to be maintained at existing levels, so hard decisions will have to be taken but this is the best opportunity to take such decisions in order to deliver a better, sustainable future for Northern Ireland agriculture.

On balance basic farm resilience support is likely to remain necessary. Area based support should be reduced over reasonable period of time, and the year 2027 (a key year in the transition set out under the Agriculture Bill) would appear to be long enough to allow industry to adapt but short enough to avoid stagnation or loss of focus. Support should then be directed towards business viability improvement and environmental objectives rather than predominantly a means to address market dysfunctionality. At all times food security should be kept in mind and if direct support is required to maintain this then this should be a feature of future policy.

The consequences for the forest industry need to be kept in mind too. With the area of afforested land in Northern Ireland well become target and the need to support the forest industry, any form of resilience support should equally be afforded to the forest industry and not place agricultural objectives at odds with forestry objectives.

17. What are your views on an appropriate mechanism to establish the level of payment under a farm resilience support measure?

This really needs to be placed in the context of decided social and environmental objectives and the agreed future trading arrangement with the EU and the rest of the world. In addition, the other measures this policy is deliberating will need funded and there will be a fixed budget, so prioritisation will be key.

18. What are your views on the targeting of a basic farm resilience support payment to take account of issues such as natural disadvantage?

Naturally disadvantage areas by their nature tend to extend to large areas. There could be impacts on the landscape if the farming operation which is in operation in such areas and which has therefore given rise to that landscape is no longer able to operate without a sufficient level of basic farm resilience support payment. This impact is both visual, social and cultural. If society demands that the landscape is maintained, then the land needs to be continued to be managed in the same way as it is today, and it therefore follows that support payments are likely to remain necessary unless the market for the farmed produce significantly improves. The solution is perhaps to maintain resilience support to such areas but in such a way that assists the farm business in overcoming the obstacles it faces in the pursuit of profitability without subsidy. This could be through diversification, improved efficiencies or availing of new markets. It is acknowledged that it is unlikely these will be solutions for all businesses.

The question needs to be asked whether the land use in those areas is indeed appropriate for the land in question, and for society. Policy should encourage those in control of the land to evaluate their options and potentially incentivise them to use the land in a more economic and environmentally friendly way. Forestry is one such example where new tree planting could assist with carbon sequestration objectives and the mitigation of flooding, and ultimately lead to land being put to more profitable and sustainable use. Policy should therefore be flexible and allow the exploration and adoption of options which will provide the most benefits to society at least cost to the public purse.

19. What are your views on linking a farm resilience support measure with cross compliance obligations?

Farm resilience support should continue to be conditional on recipients meeting certain standards of animal and plant husbandry and environmental protection. Standards should not be compromised and indeed enhanced where possible, ensuring all the while that business viability is not compromised.

20. What are your views on the content of cross compliance/good farming practice associated with this provision?

There is the opportunity to create cross compliance/good farming practice obligations/conditions in a positive format which addresses productivity, and not just a means of penalising breaches. Cross compliance/good farming practice could be used to compel positive action such as mandatory soil testing and analysis – this would boost

productivity and ensure nutrients are applied in accordance with crop demand, reducing wastage and harmful nutrient enrichment of watercourse etc.

21. What issues would an appropriate cross compliance regime seek to encompass?

It should seek to encompass current issues such as pollution and husbandry but as stated in 20 should perhaps become a force for encouraging positive action.

22. What are your views on the tiering or capping of a basic farm resilience support payment, or the establishment of an eligibility threshold?

Exposure to resilience doesn't necessarily correspond with farm size so any tiering or capping needs to be proportionate and fair and doesn't create disadvantages between farm businesses.

23. What are your views on the introduction of anti-cyclical/insurance type measures to help address volatility?

Measures which help with volatility are a good idea, but they need to be flexible, responsive and designed with the particular risks to which Northern Ireland is exposed. They also need to be affordable in order to be attractive to farm businesses and ensure they don't affective competitiveness and disrupt sectors which might not necessarily be directly affected by the insured risk/cycle but which is in some way exposed. There are potential complexities here but given the global nature of the market and the vagaries of the climate it would be sensible to have support measures for very specific reasons for volatility in place.

24. Should anti-cyclical/insurance type measures be sector-specific or aimed more generally at income protection?

Development of sector specific schemes would better address the demands of each sector which would allow greater flexibility and deliver more relevant support. However, certain events can affect all sectors and it may be simpler/more effective to support income across all sectors.

25. What are your views on the enhancement of fiscal measures as a means of addressing the issue of income volatility?

If there are fiscal measures available to farm businesses which allows them to better survive the volatile nature of the business they operate within then this should

absolutely be part of any future agricultural policy. Volatility in agricultural has been around for ever, historically due to climate but today with the addition of political and market volatility. Climate change will increase volatility, and it is unlikely political volatility will decrease, so Northern Ireland agricultural policy should afford farm businesses with as many tools as possible to contend with such volatility and this should include fiscal measures.

Profit averaging is one such example. We have no direct experience of using this measure but understand that in certain circumstances it is of use whereas in others it is not. It should be reviewed to ensure it has the widest possible use.

Volatility within the forest sector should also be taken into account and appropriate support afforded there.

26. What are your views on a possible pre-defined and agreed crisis response framework to respond to crisis events, either locally or nationally?

With food and bio-security in mind, we would suggest a well thought through, flexible and deliverable response to crisis events is an essential component of agricultural policy and should be applicable to forestry as well given its exposure to the threat of disease as climate change continues.

Pre-defining what merits response is risky and could lead to inflexibility so policy should ensure protocol and funding is in place but that discretion as to when a response is needed is afforded to those who find themselves in the key decision making positions at the time of need. Proper engagement with industry representatives at all stages is essential to ensure the response meets the needs of the affected industry.

ENVIRONMENTAL SUSTAINABILITY

27. What are your views on the suggested environmental principles to be incorporated within the agricultural policy framework?

The principles are of course sound and to be welcomed.

28. What are your views on the need for investment in research and education targeted on environmental and conservation management in the agricultural sector?

Given that farm managers are directly and inextricably linked to the land and the environment, the sector's knowledge of the environment and conservation management should be level with its knowledge of its produce and the operation of farming businesses. Society clearly values rurality and whilst we have concerns over the growing knowledge gap between the countryside and the majority of the population who reside in urban environments we do not see that changing. Government cannot and will not fund the resources needed to protect the environment and conserve important habitats and the fact is they don't have to – farmers/land managers are society's agents for environmental protection and conservation. The vast majority of farmers wish to protect and enhance the environment and habitats but it such is/has been the poor economic state of agriculture that farmers have had to generate as much income as possible for the least cost possible which has caused them to place so much pressure on the land, on occasion at the expense of the environment and habitat. With proper investment in research and education, future policy can leverage farmers and landowners in such a way to deliver far more environmental and conservation benefits than any agri-environment scheme can.

29. What are your views on a shift towards outcome based environmental measures for agriculture, including co-design with farmers and land managers?

In principal an outcome based approach would be a very positive development as it would most likely result in better results. However, it could be costly to administer and potentially open to dispute. It may therefore be better to invest in co-ordinated schemes/projects which seek to incorporate as much land as possible under fewer agreements and devote resources towards administering a smaller number of agreements which cover larger areas of land. That would be a more efficient use of resources and would seek material improvements in the environment and conservation value of the land.

30. What are your views on the need for future schemes to move beyond the costs incurred income forgone approach to incentivise changes in farming practice to enhance environmental sustainability?

There is no incentive if the result is no change so further incentivising positive environmental practices would be encouraged in order to achieve the positive change we need.

There is a growing area of expertise and knowledge surrounding the concept of natural capital, that is valuing natural assets so that value is ascribed accordingly in order to inform decision making surrounding the management of those assets. Policy should take into account this emerging field on the basis that it could form part of any future environmental scheme for the agricultural industry.

31. What are your views on the role of other actors in the supply chain seeking to drive better environmental outcomes?

All those involved in supply chains need to recognise the role farmers play in delivering positive environmental outcomes and ideally reward them for so doing and not rewarding those who do not. That could become very important with the reduction in area based support – if the supply chain rewards farmers for better environmental performance then said reward could theoretically offset the reduction in area based support. This is theoretical at this stage – the Department should therefore devote resources to developing this theory and help put it into practice into the supply chain. This will involve close collaboration with the other nations to help develop a consistent basis of valuation that will be recognised by all those involved in the supply chain so that maximum access to potential markets through the UK that will reward environmental benefits is made available to Northern Ireland farmers.

32. What are your views on the delivery models that would deliver the best uptake and outcomes?

This is difficult to answer until the principle of approach is agreed. In any case DAERA will have a very important role in developing understanding surrounding this issue and working with all involved in the agricultural and food and drink industries to implement something measurable, transparent, fair and which, most importantly, delivers environmental benefits.

SUPPLY CHAIN FUNCTIONALITY

33. What are your views on the role of government in ensuring market transparency?

There is a level of mistrust between producers and processors, mostly mistrust of the processors by producers, which is a barrier to developing more positive, rewarding business relationships. However, food processors can be of such a scale that they work in a truly international market and will therefore be subject to significant price pressure themselves, meaning that if they were to strike a deal for raw materials which are more favourable to the farmer, it may overall erode their competitiveness.

Greater market transparency we think would be a positive development but may be difficult to achieve for reasons of commerciality. There is no doubt work needs and should be done to improve relationships between producers and processors.

34. What are your views on CPD extending to encompass supply chain awareness training for farmers, including increased emphasis in farmer training on business planning, benchmarking and risk management?

As per our earlier comment, greater professionalisation of farm business management is needed therefore we would support this view.

35. What are your views on the need for, and nature of, government action to achieve greater collaboration within and better functioning of the agri-food supply chain?

The agri-food supply chain is not functioning on the basis that not enough value is being returned to the farmer to allow farm businesses to operate without direct support. This has been the position for a considerable period of time and is as much a result of global economic and agricultural policy as it is domestic policy. Therefore whilst government intervention would be welcome, it's difficult to see how it can effect change without market intervention, something we are trying to move away from.

EQUALITY, RURAL NEEDS, RURAL PROOFING, REGULATORY AND ENVIRONMENTAL IMPACT ASSESSMENT

36. Are there any equality comments that you wish to raise at this point? Do you have any evidence that would be useful to the Department? If so can you describe the evidence and provide a copy.

Where policy changes will see a change in direct payment support, it must be fair and proportionate and applied to all farm businesses. This has to be a collaborative effort by all of us involved in Northern Ireland agriculture and where associated pain and benefits emerge, they should be shared equally and proportionately.

ABERCORN
ESTATES

37. Are there any rural needs comments that you wish to raise at this point? Do you have any evidence that would be useful to the Department? If so can you describe the evidence and provide a copy.

Rural broadband services remains very poor and there are too many businesses having to invest in costly solutions which urban businesses can access as standard at reduced cost. Transportation remains an issue, particularly public transport provision and maintenance of road networks.

38. Are there any regulatory impact comments that you wish to raise at this point? Do you have any evidence that would be useful to the Department? If so can you describe the evidence and provide a copy.

We have no comments to make.

39. Are there any environmental impact comments that you wish to raise at this point? Do you have any evidence that would be useful to the Department? If so can you describe the evidence and provide a copy.

Environmental impacts are considered in detail elsewhere in this response.

ABERCORN
ESTATES

CONCLUSION

40. Are there any other comments you wish to make or any other evidence of need that you think the Department would find helpful? Please submit any evidence with your response.

Northern Ireland stands at a hugely significant point in the history of agricultural policy in this country. Brexit, despite its challenges and present uncertainties, undeniably provides us with an opportunity to shape a policy which will truly address the fundamental problems facing the agricultural sector.

What is clear is that if Northern Ireland is to seize and make the most of this opportunity that some hard decisions will need to be taken. The Minister/Department must not shy away from these decisions – restructuring along the lines Northern Ireland requires will be painful but if proper advanced notice is given and a reasonable period of time is afforded then the pain can be significantly reduced, and may even present opportunities to those most affected.

We would contend that the small size of agricultural holdings here compared to those found elsewhere in the UK, the ageing profile of farmers and the short term nature of the letting of around 30% of the agricultural land in Northern Ireland are some of the most important factors which are contributing to the low levels of productivity and efficiencies. Address the flaws within the volatile marketplace is going to be very difficult, but it is entirely possibly that policy can very quickly incentivise the adoption of agricultural tenancies, stimulate generational change and support larger holdings, all of which combined will build in greater resilience. Practical measures such as those set out in the Sustainable Agricultural Land Management Strategy for Northern Ireland if adopted could arguably create more improvements in productivity than has been achieved in recent times and could be achieved under a new policy – through this report we would contend the Department already has the basis of a very sound, practical agricultural policy and it just needs funded and implemented.

Finally, we note the framework is entirely focussed on agriculture. A search of the document reveals not one single mention of forestry and woodlands. We believe that agricultural and forest policy should not be formed in isolation, particularly given the need to increase forest cover in Northern Ireland. We would be keen to find out whether a similar stakeholder engagement is planned for the forest sector in Northern Ireland but in any case would reiterate the need for forestry and agricultural policy to be developed with due consideration to one another to ensure joint up thinking.

ABERCORN ESTATES
10TH OCTOBER 2018

Agricultural Consultants Association ACA (NI) response to DAERA's Northern Ireland Future Agricultural Policy Framework: Stakeholder Engagement

ACA (NI) is made up of professional consultants/agents who advise and complete DAERA forms - mainly Single Application Forms, but also the full range of DAERA applications, as well as Nitrate Action Programme paperwork and farmyard control of pollution.

We are not a farmer's organisation, so our role in lobbying or developing future policy will be limited. This role should be left to organisations like UFU and NIAPA. However, there is potential for more to be made of the role of professional advisers, particularly in relation to Agricultural Education and Knowledge Exchange.

With reference to this engagement and the final outcome of the Brexit negotiations, there is still no clear direction, especially on trade policy after we leave the EU. This means it will be very difficult to come up with an agricultural policy until all has been decided.

For our clients, their main concerns will be:

- Basic Payment System remaining in its present form and future financial support
- Support for Rural Development
- Trade Policy and markets for NI produce within EU and outside EU, as well as continuing to supply GB
- Environmental farming and support
- Stormont Assembly and Executive not presently supporting NI farmers

Basic Payment System

The system basically works well at present and should continue with the following adjustments. We would agree that with our green image in NI the greening requirements of crop diversification; ecological focus areas etc. should be abolished. Most of these requirements can still be regulated under cross-compliance. We would question if since 2015 has there been an environmental return from Greening.

The Young Farmer payment should continue in 2019 but in future years it should give more encouragement to young farmers who are taking over the family business or starting up a new business on their own even if they are under 40 years of age. DAERA should be taking on board the likes of the Land Mobility Programme and encouraging the succession of viable businesses.

Agricultural Policy Framework Beyond 2021

ACA (NI) agrees that the agricultural policy framework should deliver the key strategic outcomes, but our organisation is not directly involved in this process and would depend on other organisations taking the lead.
However, we would be keen to see the ban on environmentally sensitive grassland be removed, as many of the farms in these areas have under produced for many years due to small inactive farms usually with no successor.
Any future direct payment schemes should have a common sense approach with a more structured penalty system, more liaisons with Government Departments and an appeal system which is fair and time bound.
During these transition years, where many farmers will have difficult business decisions to encounter, a more information sharing and supportive system should be considered other than penalties which are often disproportionate and untimely, often going back up to eight years.

Generational Renewal

The current conacre system is outdated and hinders investment and efficiency. Access to land is key to investment and increased productivity and a move to longer term tenancies would benefit both farmer and landowner. There also needs to be an incentive for land owners to transfer land to others through tax incentives, or a type of succession payment as many farmers who are self-employed, do not have any other pension provision other than state pension, farmers rarely consider retirement.
Other younger farmers also need to be encouraged to engage into pension schemes to assist them in turn to generational renewal in their lifetime.

Increased productivity

The future of increased productivity will be through investment on farm and information sharing with technology, research and innovation. The balance between increased productivity and environmental issues are sensitive, however, they must link into each other. Farmers need the proper information and training on getting the balance right.

There is a need to continuous personal development, which does not mean a third level qualification but bit sized skills development seminars or hands on training. Skills they can apply to their own business.

We feel these formal type qualifications should not be linked to financial support but compliment more hands on short courses. It is mindful that younger farmers also hold down a full time job off farm and the demand on time is challenging.

These courses should be offered evenings, Saturdays as well as weekdays in order to facilitate maximum participation.

Improved Resilience

Lending institutions should be more flexible in their lending practices, longer term loans

More joined up approach in all sections of food chain with the possible of soft loans from processors to assist with modernisation and innovation on farms would great enhance the resilience of outside influences.

The processing sector can greatly enhance the produce at farmgate through working together to produce a market led product. Information, advice and training through government bodies and processors will lead to a product fit for the world market.

We agree with the retention of basic farm support during the transition to a post Brexit support system.

Environmental Sustainability

ACA(NI) agree to the proposed environmental principles as stated, however, for policy to become reality there needs to be cohesion between production at farm level, this needs to start with land management and soil structure.

Farmers need to be informed on nutrient management planning, and be aware of the long term protection and enhancement of the environment. This should be done through advice and training, with financial incentives to engage. This must be a

joined up approach with all bodies, working with farming community, providing information and advice.

Supply Chain and Functionality

In order to survive the food chain must be linked from farm to fork. Trust must be built on initiatives supporting primary producers, through meetings and information and advice. This information must be sourced at consumer level and drawn down through each link. Proper clear concise labelling of food, clearly marking of imported products, giving consumer choice and a transparent trace of food form primary to consumer level.

We in Agricultural Consultants Association (Northern Ireland) welcome this opportunity to respond to this consultation and whilst it we do not lobby government directly, we have an important role with the agriculture community, assisting farmers with various paperwork, form completion, mediation, attending inspections, and liaise daily with Department of Agriculture and Rural Development officials.

ACA(NI) provide a conduit between Government agencies and the farming community and we would welcome continued communication between policy and other departments with Government on future developments which will impact on agriculture on the future.

We apologise for the late submission due to illness.

AGRICULTURAL LAW ASSOCIATION

1.0 The Agricultural Law Association

1.1 Background

The Agricultural Law Association ('the ALA') was formed in 1976 and is the UK's largest interprofessional organisation devoted to the law and business of the countryside.

We focus on the law in a non-partisan, apolitical way in order to promote its knowledge, understanding and development among those who advise rural businesses.

The ALA has over 1370 members across the legal, surveying, accountancy, farm business consultancy professions together with academia and members with specific expertise in international trade and investment; with all principal professional firms and, uniquely, all other principal member organisations within the agriculture sector represented within the membership.

We are a member of the following current sector cross organisation groups in the UK:

Tenancy Reform Industry Group
Agricultural Representatives Bodies Group (Taxation)
Scottish Land Commission – Tenant Farming Advisory Forum
Land Partnerships Service – National Advisory Group

We are also the largest member association of the European Council of Rural Law.

The Northern Ireland Regional Group has over recent years in response to the challenges presented to local agricultural advisers by Common Agricultural Policy Reform and Brexit grown from a handful of members to an active branch with regular events. The speakers have included Department officials, academics, representatives of the Agri Food Strategy Board (discussing both their Going for Growth Report and Sustainable Land Management Strategy), Ulster Farmer's Union and Young Farmers Clubs of Ulster and experts from Northern Ireland and further afield.

1.2 Consultation Work by Members

As part of our response to the Stakeholder Engagement invitation ('this/the Engagement'), we have conducted member consultation with our Northern Ireland member representatives.

This response is submitted on behalf of the ALA and its members and we look forward to working with DAERA and other sector organisations on shaping the future policy for our sector in Northern Ireland.

2.0 GENERAL COMMENTS

2.1.1 The Association welcomes the steps taken by DAERA ('the Department') to bring forward this dialogue with key stakeholders, notwithstanding that it is acknowledged that at this stage this Engagement does not seek to prejudice or constrain any future incoming Minister, the NI Executive and the NI Assembly on the future NI agri-food policy.

2.1.2 Agriculture is an integral part of the UK countryside and it matters beyond its economic contribution. We believe that the emphasis of all agricultural policies set in the UK and the devolved administrations should be on progress within the industry, acknowledging the best practice that already exists as opposed to making changes for the sake of change.

2.1.3 The food consumed by the UK population affects its health and well-being and the production of that food within the UK provides an essential basis for the food and drink sector industries and our exports.

2.1.4 Whilst there is a case for change in the way agricultural policy is delivered, as an overriding principle, support for UK food production must be at the core of any future agriculture policy together with support for rural communities and services.

2.1.5 In addition to that core policy, we support the four key desired outcomes and long-term vision for the Northern Ireland agricultural industry as set out in the Engagement paper on page 7.

2.1.6 We do recognise that the system of support through the Common Agricultural Policy ('CAP') has led to a reliance on that support in general and has, in many circumstances, led to a stasis in innovation and investment; but that must be viewed through the prism of the effects of world prices on the commodities that the UK farming sector produces and the underlying profitability of farming businesses exposed to the world market and the high input cost of production, whether that be, for example, on labour, machinery, fuel etc. As is often cited, UK

farmers are price takers and the ability of farmers to influence the farmgate price, particularly in the case of bulk commodities such as cereals, is, on the whole, currently limited and will probably remain so.

The agricultural sector in NI is no different.

2.1.7 However, what is currently lacking is a clear direction on the trade policy of the UK following its exit from the EU and that is required in order to shape an agricultural policy that is fit for purpose. Any policy decisions therefore taken during the period until that trade policy is known must retain some flexibility to be re-visited to allow for adaptations to the agricultural policy.

3.0 UK GOVERNMENT LEGISLATION AND DEVOLVED POWERS

Since the publication of the Engagement paper on 31 July, the Agriculture Bill ('the Bill') has been published by the UK Government as found at:

https://publications.parliament.uk/pa/bills/cbill/2017-2019/0266/18266.pdf

The Bill as currently drafted and in relation to Northern Ireland, provides powers to the Department under Schedule 4 to/for:

- Modify legislation governing the basic payment system;
- General provisions connected with payments to farmers and other beneficiaries;
- Modify legislation governing the support for rural development;
- The requirement to provide information from persons in or closely connected with an agri-food supply chain;

- Exceptional market conditions;
- Modify retained direct EU legislation relating to public market intervention and private storage aid;
- Marketing standards and carcass classification;

Furthermore, with reference to the Explanatory Notes that accompany the Agriculture Bill is states (page 38 of the Explanatory Notes (which can be found at https://publications.parliament.uk/pa/bills/cbill/2017-2019/0266/en/18266en.pdf):

> [The further provisions relating to Northern Ireland are provided] 'to enable DAERA to continue to make payments to farmers and land managers after the UK leaves the EU and to ensure future Executive Ministers have the flexibility to develop policy once an Assembly is returned'.'

4.0 RESPONSE TO STAKEHOLDER ENGAGEMENT FRAMEWORK SECTIONS

4.1 TRANSITIONAL AGRICULTURAL SUPPORT REGIME 2019-2021

4.1.1 In the context of the wider UK agricultural sector, the retention of entitlements, or more generally the direct payments system, is supported whilst new agricultural policies are developed and put in place; not least to provide certainty for the sector on the basis for continued support during the UK's immediate exit from the EU and without the immediate change to a new system.

4.1.2 We would therefore support the retention of entitlements as the basis of the basic payment scheme for the 2020 and 2021 scheme years, particularly given the absence of an Executive and the implications that has for progressing the detail of a new agricultural policy.

4.1.3 The Engagement paper acknowledges the small impact that the greening requirements have in NI. We would support the removal of the crop diversification rules which impose an unnecessary burden on farmers and the Department without any significant productivity or environmental return.

We would also support the ability to remove Ecological Focus Areas and the current ploughing ban on environmentally sensitive grassland if only to provide a level of flexibility in any future policy which is not possible with those measures in place and whilst allowing for their reinstatement in the event that suitable alternatives cannot be found.

4.1.4 We support the continuation of payments to those Young Farmers Payment claimants who, up to and including 2019, have been accepted into the scheme and who may have invested in reliance upon the payments to which they have become entitled being available for the anticipated duration of the scheme .

4.1.5 Further applications to the YFP and Regional Reserve post 2019 should not be permitted to allow the current scheme, which although popular has many widely acknowledged deficiencies, to be replaced. This should be a bespoke Northern Ireland scheme which is more flexible, tailored to the specific circumstances prevailing in Northern Ireland and therefore fit for purpose. However the introduction of any new scheme should be immediate and seamless to ensure that the current momentum of generational renewal within the farming industry is not dissipated by any delay.

4.1.6 Whilst we generally support the retention of the direct payment criteria outlined under section 2.7 of the Engagement paper, the issue of proportionality of penalties, retrospective recoveries and the inspection regime must be addressed.

4.1.7 The Bill as drafted provides the power for changes to be made to the basic payment scheme that the Department considers will simplify or improve the scheme (Schd.4, para.2 (1) (a));

4.1.9 During the transition period consideration should be given to dealing with the issues raised by the current scheme in relation to land eligibility, time limits and cross compliance and indeed the other areas which have generated refusals and penalties which many perceive to be disproportionate.

Encouragement/Facilitation of Generational Renewal

4.1.10 Over the past few years there has been much discussion between the professional bodies that advise farmers and land managers in NI of the need for change.

4.1.11 For example, the current dependency on the use of Conacre agreements (for short term seasonal occupations of land) has resulted in limited access to longer-term occupation of land which in turn leads to an inability for new entrants to enter the sector and those existing farmers who might wish to expand, to do so. This in turn prevents investment and lacks certainty.

4.1.12 Access to land is a key feature of improved productivity in the sector and mechanisms in a new agricultural policy that would encourage progression in this area would be welcomed by the sector and those professionals advising owners and occupiers.

4.1.13 The current Land Mobility Scheme is welcome but would presumably benefit from incentives to increase participation. Consideration could also be given to working with professional bodies to provide training for their members and information and advice for participants on the various potential outcomes of such a scheme to ensure that there is no repetition of the shortcomings of some of the applications to the YFP scheme which resulted in otherwise compliant applications being rejected.

4.1.14 It should be noted that the issue of conacre is only one aspect of land mobility and has little or no direct impact on the related issue; generational renewal. Whilst progress on the issue of conacre and a move to longer term leasing would be welcome, consideration also needs to be given to other schemes which address the other aspects of land mobility and generational renewal in a more

comprehensive fashion such as has been achieved by the Republic of Ireland with its agri-taxation review including succession planning and the other aspects of these issues that longer term tenancies alone will not solve.

AGRICULTURAL POLICY FRAMEWORK BEYOND 2021

4.2 INCREASED PRODUCTIVITY

4.2.1 Whilst other organisations in the NI agricultural sector are closer to the current and developing technology 'on farm' and therefore are better placed to provide detailed comment, there is a need to encourage investment in innovation and technology to assist in increasing productivity.

4.2.2 The process of data sharing and ownership will underpin the ability to benchmark success and allow development of wide scale new approaches and it is important that data platforms used in the farming sector can be easily shared.

4.2.3 Consideration should be given to a tax credit for investment in on-farm R&D.

4.2.4 We were encouraged to see proposals in the UK Government's Health & Harmony consultation in England to bring groups of farms together in research syndicates to deliver practical solutions and that could also be linked to the tax credit principle stated above. We believe this is an initiative that has UK wide application and we would support such an approach in NI.

4.2.5 A policy of facilitation and financial support for near-market R&D approaches to encourage R&D investment throughout the supply chain is required. In addition, there should be an extension of the R&D tax relief for partnerships and sole traders.

4.2.6 Our members see the encouragement of CPD as a positive move for the farming sector, but the terminology of Continuing Professional Development may not be well suited to ensure take up in the farming sector; we propose that it should be geared more to a reference to 'Skills Development' or similar.

4.2.7 However, we would not support a policy that restricts access to financial support where that support is conditional on requirements to complete formal or informal CPD or similar.

4.2.8 In relation to investment and restructuring and in particular the use of fiscal incentives to promote land mobility and longer-term leases, we would reiterate our comments at 4.1.14 that longer term leases are only one aspect of land mobility and generational renewal. Subject to a caveat that taxation is not a devolved matter, fiscal incentives for longer term leases on its own will be of limited benefit in facilitating generational renewal and what is required is a more comprehensive approach along the lines of the Republic of Ireland agri taxation review, perhaps with an incentive on fiscal aid rather than tax incentives. The ALA nationally and regionally and its individual members at both levels would take this opportunity to offer their experience and expertise in the creation of any comprehensive approach and the documentation which would need to be developed to implement it.

4.3 IMPROVED RESILIENCE

4.3.1 With reference to our comments on short term occupation of land arrangements in 4.1.11 above, our members are concerned that the lending sector criteria in relation to the tenure of land occupation limits available access to funds.

4.3.2 One suggestion on a UK wide scale is that the lending sector should promote more multi-generational mortgage models for longer term loans, for example 40/50/60 year terms, to reflect the long term nature of farming and to provide a lower annual repayment liability spread over a longer period.

4.3.3 This would also assist in addressing issues of expensive infrastructure and innovation investment acting as a barrier.

4.3.4 In addition to the traditional routes of lending there may be an opportunity to develop alternative sources of finance that focus primarily on the agricultural sector. Development of bespoke products, increased supplier competition and producer choice will help facilitate decisions to further invest in the industry.

4.3.5 It is important that liquidity in capital markets dedicated for allocation to the sector remains stable to ensure sustainable levels of borrowing are accessible to those wishing to invest.

Basic Farm Resilience Support

4.3.6 We acknowledge that the retention at least temporarily if not permanently of a Basic Farm Resilience Support payment is necessary for an orderly transition from CAP to any post Brexit scheme

Risk Management and Resilience

4.3.7 Fundamental individual business resilience begins with optimising best operational and financial practice before adding in insurance or volatility measures. Opportunity exists to engage with producers to facilitate training in business planning and management skills, delivered through public and private sector collaboration.

4.3.8 Uptake of insurance products in the UK agricultural sector is low in comparison to many other developed economies where such instruments are routinely employed as part of a comprehensive risk management strategy and with Government support. A relatively immature UK market for these products requires a number of factors to be addressed before a significant increase in uptake could be expected. A key driver is the availability to the insurance industry of significant data sets with sufficient granularity to enable the development of index-based or standalone policy products. Additionally, raising awareness and use of insurance as a risk management tool amongst producers, balancing policy cost vs policy terms (coverage), minimising complexity, and facilitating a competitive insurance market would aid greater adoption of these products.

4.3.9 A broad range of price volatility management products are available and widely used internationally by producers and other supply chain actors in trading fungible agricultural and soft commodity products. Use of such instruments in the UK at a producer level is anecdotally limited. Physical forwards contracts, commodity futures and options derivatives, exchange traded commodities and

similar forex products offer significant potential for price volatility management. A programme developing awareness of these products, promotion of their use and linking producers with appropriate advisors and providers will be required to achieve a significant increase in uptake.

4.3.10 Public and private sector collaboration would be a logical delivery mechanism. Increase in demand for price volatility management products may also result in greater supplier competition, producer choice and development of new bespoke instruments.

4.3.11 We support in principle the suggestion of a domestic mechanism modelled on EU Common Market Organisation Regulation to assist in business planning.

4.3.12 With reference to the Bill, Part 3 of Schedule 4 sets out the powers that would be available to the Department as part of a wider response to exceptional market conditions, however it must be carefully noted that the Explanatory Notes to the Bill wording under clause 17 with reference to the provisions for England and therefore may be read across to NI, do not extend the Secretary of State's powers to intervene in the market in circumstances 'such as extreme weather events or animal disease unless they result in an actual or threatened market disturbance'.

Crisis Response Framework

4.3.13 As a general principle and in light of previous crises that have affected the agricultural industry (for example, foot and mouth disease), we support the introduction of a Crisis Response Framework; particularly if the explanatory note to the provisions under clause 17 of the Bill (see 4.3.12 above) are to apply equally to NI.

4.3.14 In this respect, the question must be addressed as to when any particular crisis is regarded as a local issue i.e. specific to NI only or where it has UK wide implications and therefore there must be joint work on developing this type of framework with the UK Government and devolved administrations.

4.4 ENVIRONMENTAL SUSTAINABILITY

Environmental Principles

4.4.1 We agree with the suggested environment principles as set out in the Engagement and we support proposals that allow for the development of a policy that has environmental protection and enhancement as an objective but to be effective, these principles must be framed in a policy of long-term sustainable land management. As part of this it is imperative that food production and environmental measures are complimentary and integrated.

Outcome based environmental measures

4.4.2 We would support an outcome-based model for environmental measures rather than schemes that are prescriptive and do not allow for seasonal variability and impacts of weather and other factors outside of the farmer or land manager's control.

4.4.3 This would therefore suggest that a landscaped based approach with wide uptake from farmers and land managers in a specific geographical location would create the basis for achieving long term sustainable aims for the protection and enhancement of the environment. We would see it as imperative that the development and implementation of such approaches must be jointly undertaken with the farming community. The imposition of an inflexible scheme with prescriptive measures in our view would not result in the uptake required to achieve the Department's suggested objectives.

4.4.4 However, in order to incentivise farmers and land managers to engage, the financial return must look beyond a costs incurred/income foregone model.

4.5 SUPPLY CHAIN FUNCTIONALITY

4.5.1 The farming sector is a crucial part of the supply chain however, we are disappointed that the remit of the GCA was not widened following the recent Government consultation that closed in January 2017 and we have urged the UK Government to re-consider the GCA remit to include primary producers.

4.5.2 As part of our approach to food products and, equally, with reference to food produced in the UK or imported for UK consumption, it is imperative that the system of food labelling provides the consumer with the necessary information to make a fully informed choice as to the food products they purchase. It is essential to the success of the UK farming sector that a high-quality food product produced by UK producers is properly and transparently distinguished from imported products.

4.5.3 We support the encouragement of Producer Organisations as part of the agri-food supply chain.

CONCLUSION

We have welcomed the opportunity to consider the Department's suggestions on the future agricultural policy for Northern Ireland and we would welcome continued dialogue with the Department in this respect; particularly whilst we await detailed policy proposals and consultation once a Minister is in place to deliver the same.

AGRISEARCH

RESPONSE TO THE NORTHERN IRELAND FUTURE AGRICULTURAL POLICY FRAMEWORK: STAKEHOLDER ENGAGEMENT

AgriSearch (The Northern Ireland Agricultural Research and Development Council) welcomes the opportunity to comment on the Northern Ireland Agricultural Policy Framework: Stakeholder Engagement consultation paper.

AgriSearch was formed in 1997 to provide a mechanism through which beef, dairy and sheep farmers could have direct involvement in agricultural focused research. Funds contributed to AgriSearch are used to commission research into the improvement and development of beef, dairy and sheep farming. Our mission is to drive profitability and sustainability, as a trusted conduit of knowledge and innovation based on sound science and widely applied research.

9. What are your views on a "Productivity Grand Challenge" approach to delivering a step change in the rate of advance in science and innovation?

AgriSearch welcomes the proposed shift to a "Productivity Grand Challenge" approach for science and innovation. The relatively short term and somewhat sporadic nature of the way in which the Evidence and Innovation strategy has been applied to date has led to stop / start research which has resulted in sub-optimal use of the available research resources. The current 3-year limit on E&I projects (with the occasional exception) limits the scope of what can be researched. This short-term research commissioning cycle means that often the issues that are "Flavour of the month" tend to get looked at rather than pursuing the long-term opportunities and threats (Grand Challenges) that face our industry which is where the vast bulk of research expenditure should be focused. The proposed 5-year limit on research programmes is insufficient to research in a serious manner many of the issues facing our industry (particularly in the fields of genetics and environmental sustainability, an example of this would be the need for long-term research on carbon sequestration).

We welcome the proposal for a multi-actor approach. This is something that AgriSearch has long utilised in many of its research projects to great effect. Examples include the BVD surveillance study stakeholder forum which led to the creation of the successful NI BVD Eradication Programme. By involving pharmaceutical and breeding companies and PVPs our recently completed suckler synchronisation study has resulted in a significant increase in the use of synchronisation and AI in the NI suckler sector.

We note the proposed intention to create a platform approach to science delivery and to facilitate integration with knowledge exchange and education. While this is something that we welcome, we were disappointed that the recently completed AFBI review stopped short of recommending the reintegration of DAERA's science delivery, knowledge exchange and education functions under a single NDPB.

We welcome the willingness to accept a higher risk appetite in research commissioning.

10. What are your views on the principle of placing greater policy emphasis and investment in agricultural education and knowledge transfer as means of driving better industry outcomes?

In general, AgriSearch would welcome greater investment in agricultural education and knowledge exchange (knowledge transfer is a phrase who use should be discontinued as it indicates a top down approach and fails to recognise that leading farmers can often be an excellent source of new knowledge.)

The demise of the agricultural faculty at Queen's (a consequence of the implementation of O'Hare review) has led to an acute shortage of younger agricultural research scientists. Indeed, the greatest challenge (and threat) facing the NI ruminant livestock sector today is its ability to recruit and retain livestock scientists. We would urge DAERA and Queen's University to consider reinstating an agricultural science degree as a matter of urgency.

Much more emphasis needs to be placed on grassland and business skills in agricultural education. Students also need to be equipped with the knowledge and skills needed to interpret the vast amount of data which new agricultural technologies are producing.

With regards to DAERA's knowledge exchange programme it needs to be recognised that just more of the same is not going to solve the problem. This whole area needs a rethink and culture change within DAERA and amongst farmers. We need to make champions of innovative farmers and encourage farmers to inspire and progress.

11. What are your views on linking qualification attainment with a broader range of policy interventions as a means of incentivising farmer engagement with formal training initiatives?

In general, AgriSearch would welcome such linkages. However, we believe it is important that such interventions should be incentive based (carrot) rather than penalty based (stick). It is important that life long learning / continuous professional development is recognised as well as formal college / university-based qualifications.

12. What are your views on continuous professional development (CPD) as a policy intervention and the possible investment of public funds to incentivise CPD?

We welcome the principle behind a continuous professional development programme for farmers. It needs to be recognised that no matter what level of formal qualification a farmer might have that science, innovation and the challenges facing our industry are moving on at such a pace that CPD is essential if our sector is to prosper. We would be keen that a range of activities / events could count towards CPD "points" and would be particularly keen that future AgriSearch KE events could be accredited for this purpose.

13. What are your views on the provision of investment that is specifically targeted on innovation and new technology uptake and that is aligned to other strategic objectives, notably environmental performance?

AgriSearch welcome the incentivisation of adoption of innovations and new technologies. As well as providing financial assistance for farmer to acquire such new technologies, DAERA need to ensure that farmers have the skill sets needed to make use of the considerable amounts of data generated by these new technologies.

15. What other initiatives by government and/or industry should be pursued to facilitate restructuring and investment and drive productivity?

The provision of continuous professional development, knowledge exchange and enhanced business skills are vital in this regard. We would encourage a strong science element to such initiatives to ensure the latest findings of research and development are implemented in a timely manner.

28. What are your views on the need for investment in research and education targeted on environmental and conservation management in the agricultural sector?

Research on environmental and conservation management is vital. Such research needs to recognise that farmers have a key role in delivering ecosystems services such as promoting biodiversity and carbon sequestration. The "one size fits all" approach to environmental schemes and regulations is often counter-productive and more intelligent methods should be developed to assist farmers with decision support to deliver the environmental public goods / eco-systems services that are needed in the various parts of Northern Ireland. Such work needs to be taken on a long-term programme-based approach, so that the unintended consequences are avoided.

AI SERVICES (NI) LTD

- AIS (NI) Ltd (Company Reg. No. NI 021745) is Northern Ireland's leading provider of Cattle Breeding Services. AIS (NI) Ltd is owned by approximately 9,500 N.I. farmers (Class 'A' Shareholders) in partnership with farmer-controlled Agri-Processors / Businesses (Class 'B' Shareholders).

- The Company has also since 2004 been a Delivery Agent for various Knowledge Transfer Programmes, such as BDG Support to CAFRE, Focus Farms; Benchmarking Data Collection; Environmental Training Programmes; Soil Analysis feedback, etc., etc. via NI Rural Development Programme Funding

- AI Services (NI) Ltd is also the majority Shareholder in Eurogene-AI Services (Ire) Ltd, Company Reg. No. Ire 270631, based in Cahir, Co Tipperary, which is a major distributor of bovine semen and provider of breeding services in the Republic of Ireland.

AI SERVICES (NI) LTD STAKEHOLDER CONSULTATION RESPONSE TO DAERA NI FUTURE AGRICULTURAL POLICY FRAMEWORK

- In generic terms, AI Services (NI) Ltd welcome and endorse this framework document & stakeholder engagement.

- The DAERA framework document must, however, be adapted once more clarity pertains regarding

  (1) Future of "devolved Government" in NI; NI requires a NI Minister; an Executive & Operational Assembly to make provision on future policy direction (as provided for by the New UK Agricultural Bill)

  (2) A Brexit Withdrawal Agreement is in place

  (3) Although UK regions (including NI) will have a "devolved" role in future policy direction, it must also be noted that there are still likely to be elements of "overarching UK policy" and in particular "environmental policy" to which NI would have to adhere.

For the aforementioned reasons, AI Services (NI) Ltd forward a limited response to this Framework Document at this stage and have focused on areas of specific interest (Section 4). As for other sectors, including Agricultural Support Entitlements, it is considered that the current "status quo" position should be maintained until more clarity is achieved and this framework document can then be further elaborated.

Q 6) What are your views on the most effective means of encouraging and facilitating generational renewal on farm businesses?

- AIS (NI) Ltd would view the following as some of the means of facilitating generational renewal.
- Ensuring that farming is profitable to encourage new members in
- Introduction of a Retirement Scheme for older farmers
- Tax free breaks for Long Term Leases
- Farmers welfare scheme, with welfare provision based on profit generated and not on assets owned or turnover
- For persons under 40 no Capital Gains Tax or Inheritance penalties if agreements are entered into
- This should have benefits for land quality and improvement – i.e. liming, fencing, soil analysis
- Nearly 30% of land in NI is rented through the archaic conacre system, this creates uncertainty and lack of planning in the system
- Other means of encouraging new entrants would be through Partnership leases which have not seen much uptake to date, share farming and land mobility service.

Q 9) What are your views on a "Productivity Grand Challenge" approach to delivering a step change in the rate of advance in science and innovation?

- Whilst there is a consensus that productivity can increase on a considerable percentage of NI farms, this cannot be at the expense of "profitability". Within this Strategy document there is no mention of profitability for primary producers which is of concern, because if the production of food is not profitable for farmers then they shall exit the industry.
- Measuring Productivity needs to be better and clearly defined, AIS (NI) Ltd recognise the previous Going For Growth strategy that was to be implemented, however this has since been shelved for various reasons. Any new policy should review the concerns and issues surrounding this Strategy and consult again on future policy.

- Once the final deal for Brexit is known then Ai Services (NI) Ltd shall provide a more comprehensive response to this question.

Q 10) What are your views on placing greater policy emphasis and investment in agricultural education and knowledge transfer as a means of driving better industry outcomes?

AI Services (NI) Ltd have fifteen years of delivering Knowledge Transfer Programmes and can provide considerable insight into what has been successful and what has not worked so well.

- Ai Services would welcome some means of rewarding educational achievement/attainment amongst new entrants into the industry.
- This could be through completion of an educational course, however existing non-agricultural qualifications which the applicant holds needs to be taken into account.
- Anyone who holds the required level of educational achievement needs to be sufficiently rewarded to make it more attractive for them to attain this qualification.
- This could be through additional grant support rates (e.g. 60% over 40% rate for non-holders), farm & land transfer tax breaks or incentives, stamp duty etc.
- Courses can have an online element rather than all physical attendance.
- Courses need to be of a sufficient Technical Level, current courses offered are only 'A' Level equivalent at best.
- Some form of credit points or means of building points to access higher support rates/capital grants should be introduced, evidence to date through Level 2 and Level 3 offerings prove there needs to be financial incentive within NI to get farmers/new entrants attracted.

Q 11) What are your views on linking qualification attainment with a broader range of policy interventions as a means of incentivising farmer engagement with formal training initiatives?

AiS (NI) Ltd recognise that this has been undertaken to date and has worked to a degree, but could be improved upon. AIS would need to see any future Brexit deal before being able to provide additional detail.

- The evidence exists to demonstrate that farmers often learn best through peer learning, rather than formalised training, which has its merits for the industry.
- Farmers will often undertake training incentives provided they know it shall benefit their business financially and is not solely a statutory requirement.
- Farmers often employ external experts to review their farm business such as agronomists, nutritionists, vets, accountants etc. so often the farmer can deal with the daily running of the business and rely on the experts for advice, nullifying the requirement to undertake training in certain areas. This would need to be reviewed when drafting policy.
- Farmers should be rewarded if these policy interventions are similar to Quality Assurance schemes that started out rewarding farmers financially and ended up penalising the farmers if they weren't assurance certified.

Q 12) What are your views on CPD as a policy intervention and the possible investment of public funds to incentivise CPD?

As previously mentioned farmers must have input into and future CPD to ensure it is worthwhile and relevant.

- CPD does have merit and could easily link into the Credit type scheme mentioned above. This could easily be linked into peer learning and should be beneficial for the farmer in increasing farm business profitability, not about box ticking for schemes or processors.
- CPD exists within most other sectors and industry, thus it can easily be replicated within agriculture. The main difference being that if a worked in other industry undertakes or accomplishes a level of CPD Training, they are rewarded by their company, this needs to be implemented by processors as a means of achieving higher prices and not as a penalty if the farmer doesn't have it.

Ai Services (NI) welcomes the opportunity to provide much more detailed rationale and commentary on this consultation document once a known Brexit deal is in place. Currently the situation is too fluid and prone to change to provide extensive answers to the consultation document, which may bear little resemblance to what final deal is achieved.

ANGLO BEEF PROCESSORS (ABP)

UK
Lurgan
Part of ABP Food Group

Dear Sir / Madam,

As a business closely involved with supporting the rural economy in Northern Ireland we welcome this opportunity to contribute to the Northern Ireland Future Agricultural Policy Framework.

ABP is a major red meat processor, operating in Newry and Lurgan. We work with over 4,000 farmers across the Province and employ 655 colleagues. The company has been delivering high quality meat for the UK's retail, food service, wholesale, manufacturing and export sectors for over 60 years.

We have recently undertaken some independent research with the Andersons Centre to understand the challenges and opportunities that lie before us in terms of developing a successful agricultural policy post 2020. We consider that there is scope for action across key policy areas: improving productivity; championing quality; supporting a skilled rural workforce; promoting trade and market access; and safeguarding environmental practices and high standards and would like to present these findings as our submission to the Northern Ireland Future Agricultural Policy Framework.

We are a member of the Northern Ireland Meat Exporters Association and are also supportive of their submission as part of this process.

If you require any clarification or further information on this submission please do not hesitate to contact me.

Yours sincerely

George Mullan

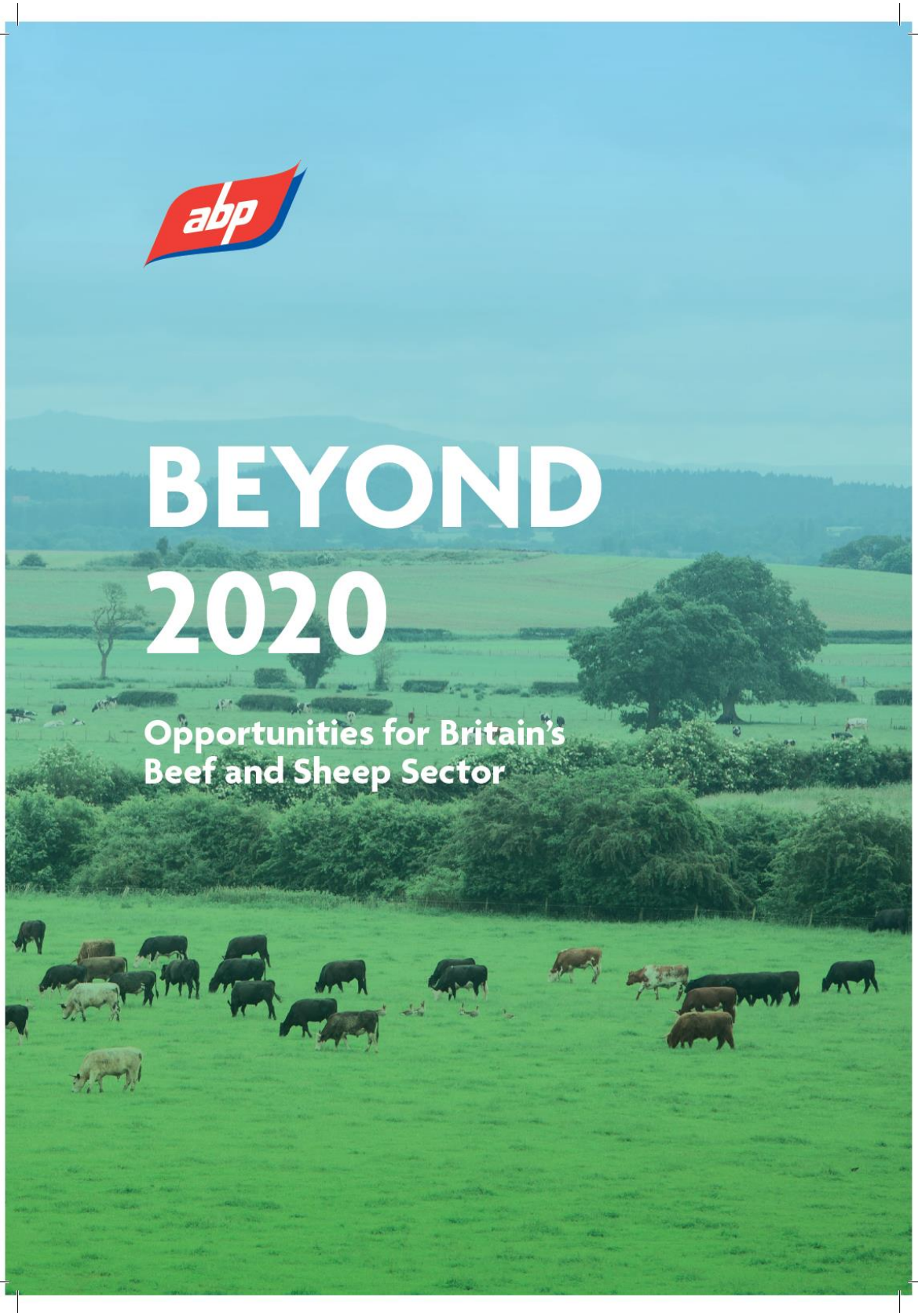
33 Annesborough Ind. Estate
Lurgan
Co. Armagh
BT67 9JD

T. +44 (0) 2838 323 622
F. +44 (0) 2838 323 944
E. info.uk@abpbeef.com
www.abpfoodgroup.com

Anglo Beef Processors UK
T/A ABP Lurgan

Registered office:
Battlefield Road, Harlescott,
Shrewsbury, Shropshire, SY1 4AH

Registered in England no: 2925718



BEYOND 2020

Opportunities for Britain's Beef and Sheep Sector

Contents

1. Introduction

ABP Food Group is a leading UK red meat processor, operating across 15 UK locations, working with over 12,000 British farmers and processing 600,000 cattle and 1.4 million sheep per annum. In addition to red meat, it also has pet-foods and renewables divisions. It is a significant contributor to the UK rural economy and has been delivering world-leading meat for the UK's retail, food service, wholesale and manufacturing sectors for over 30 years. As a major stakeholder, ABP wishes to contribute to the debate about how farm policy in the UK should be designed in a post-Brexit environment.

The UK currently has a once-in-a-generation opportunity to shape its agricultural policy so that it is well-positioned to address the immense challenges the world faces in terms of climate change and feeding the needs of a growing global population. If the UK gets its agricultural policy right, it will play a major role in shaping the development of an internationally competitive and productive agri-food industry which will be the cornerstone of a vibrant rural economy across all regions. However, if the UK gets its agricultural policy wrong, the country will be exposed to major global risks which could jeopardise its future security. All the while, the UK's rural economy would suffer greatly. This would have a disproportionate impact on peripheral regions particularly regarding unemployment, depopulation, environmental and animal welfare degradation. All of these would place a greater burden on UK taxpayers and would further exacerbate issues such as income inequality and social exclusion.

This paper sets out evidence of the current contribution and efficiency of the UK agri-food sector, and primarily focuses on beef production (Chapter 3). Chapter 4 identifies the key challenges and opportunities facing the sector and sets-out ABP's vision for a productive and prosperous beef and sheep meat sector by 2025. The paper then proposes a range of policy options to address the key challenges which would promote the development of a sustainably productive and profitable farming sector as part of a vibrant rural economy (Chapters 5 to 9). Key conclusions are outlined in Chapter 10.

2. Executive Summary

In 2016, agriculture contributed 0.6% to the Gross Value Added (GVA) of the UK and employed 1.4% of the workforce. But farming does not sit in isolation; it forms an integral part of the wider agri-food supply chain. In 2015, the agri-food sector as a whole contributed 6.6% of GVA and is particularly important in regions such as Scotland, Northern Ireland and the South West.

The farmgate value of the beef sector (at £2.76bn in 2016) is around 12% of the total output of UK agriculture (excluding subsidies). In counties such as Shropshire, the beef industry is a particularly important employer and ABP alone is estimated to account for 4% of employment in Shropshire when both direct and indirect employment (multiplier effect) is considered.

In compiling this policy road-map, ABP sets-out suggestions for a strategic vision for the UK beef and sheep sector (Chapter 2) in the context of the challenges that the industry faces (Chapters 3 – 7). Whilst it is as evidence-based as possible, this paper does not have all the answers and is instead a basis for further discussions. That said, ABP believes that it makes a meaningful contribution to the agricultural policy debate which sets-out a clear vision whilst stretching current limits and thinking. This is something which is needed if UK food and farming is to successfully meet the challenges and opportunities ahead.

PRODUCTIVITY.

The UK lags behind its international peers with regards to productivity. However, averages hide a wide range of performance within UK farming and it is apparent that some UK farms are highly efficient and productive. Such performance needs to be encouraged and ABP proposes the following policy initiatives:

- Productivity Support: Would consist of two strands i.e. *promoting best practice and minimising income volatility*. The primary aim of this support is to incentivise the production of high-quality food that the market wants (not production for the sake of it) that is supplied in an efficient manner.

    1. Best Practice Payment (BPP): farmers would receive a BPP based on historical entitlements, set at around 90% of current direct support under CAP Pillar I, provided key productivity targets are met (including stocking rates and quality).

    2. Income Volatility Support (IVS): this payment, funded by the difference between current direct support under CAP Pillar I and the BPP, would be made on a per finished animal basis with an appropriate target price agreed at a national level. This would consider the existing cost base and historical prices whilst also focusing on the quality of prime meat produced. Figures 22 and 23 (in Section 5.2.1) provide illustrations of how income volatility support would work. When market prices are at or above a target price level, farmers would only receive a BPP, as described above, provided minimum performance targets are met. The target price level could also be adapted depending on the quality grade achieved. If market prices go below the target price, an income volatility payment would be triggered and would be provided to farmers to supplement their incomes up to the approximate level of the target price. The IVS would also have a limit (25% of the target price) so if prices were to go below 75% of the target price, then the income volatility payments that farmers receive would not reach the target price.

- Knowledge Transfer and Technology: Encourage farmers to pursue continuing professional development (CPD) that delivers tangible results to improve productivity by offering farmers CPD credits to participate in initiatives such as AHDB Beef and Lamb's Better Returns Programme. A certain number of CPD hours would need to be gained each year, otherwise farmers' Best Practice Payment would be penalised. Such programmes need to be easy to access and not be inhibited by burdensome bureaucracy.

- Retirement Schemes / Young Farmers: Involves a variety of initiatives related to rural housing (relaxation of planning laws and promotion of social housing in rural areas to enable older farmers to obtain alternative accommodation in the locality upon retiring). Other interventions include a Joint Ventures and Matching Service to encourage older farmers to partner with younger farmers in mutually beneficial farming arrangements. Taxation policies should be examined to ensure that no incentives have been set up that encourages older farmers to continue their businesses simply to gain the benefits of favourable tax treatment.

QUALITY.

The UK is amongst the global leaders when it comes to food quality which constitutes a major source of competitive advantage. It is vital that this reputation is not just upheld but enhanced. One such area is the opportunity to get more value from pasture-fed livestock. There are also opportunities to make greater use of technology in producing quality products. The proposed policy actions in this area include:

- Market Strategy Plan for UK Agriculture: develop a long-term strategic vision, that has marketing as a core focus. This strategy needs to span the short, medium and long-term and quality should be a core tenet of this plan. Similar to Ireland's 'Food Harvest 2020' and 'Food Wise 2025', the UK plan should include tangible goals for the beef and sheep meat sector which are ambitious, yet attainable (e.g. adding 20% to the value of the beef sector), whilst being aligned with other key principles of a UK policy framework (e.g. environment, productivity etc.). Such a plan requires involvement and buy-in from all key industry stakeholders as well as input from strategy planning experts from outside the industry.
- Food Safety and Quality: there should be no weakening of the legislative requirements in the UK after Brexit. The quality of produce will be one of the unique selling points of British produce when it comes to developing existing and new markets. If anything, the UK should build on the existing high standards to provide even more product differentiation (e.g. full lifetime traceability throughout the supply chain from individual animals to the shop shelf). Some 'seed money' from government sources could help facilitate this. The efficient use of resources can also be used for marketing purposes. Firstly, there could be a public marketing/education programme to highlight the environmental credentials of the UK beef industry. Secondly, there could be an industry-wide programme, similar to Origin Green, to promote resource efficiency, thus reinforcing public messages by demonstrating the improvements underway to sustainably supply quality produce.
- Quality-focused Farmer CPD: farmers in isolation cannot solve all the issues in the food supply chain. A collaborative approach is needed, and the UK food chain lacks this. Future farm support in the UK should include initiatives to promote shorter, more transparent and more cooperative food chains. It is unlikely that farmers will produce what the market requires if they lack information in this area. A 'module' of a farmer CPD requirement could be participation in initiatives to help them to get a greater understanding of what is driving consumer behaviour and to help them to identify how they can better contribute to consumers' needs.
- Genetics Schemes: a post-Brexit farm policy should look at the potential for a wide-ranging scheme to improve genetic improvement in the beef herd. This needs to be an industry-wide initiative so it links right through to improve aspects such as eating quality and does not simply focus on 'production' aspects of genetics such as growth rates. Examples of farm schemes are already seen in Ireland (Beef Data and Genomics Programme) and in Scotland (the Beef Efficiencies Scheme). To achieve real industry-level change they need to be rolled-out on a much wider basis and be far more integrated into the whole support architecture.

RURAL ECONOMY.

Currently, agriculture accounts for a small proportion of UK economic output. It has the potential to make a much greater contribution whilst also bolstering the rural economy. Proposed interventions include:

- Rural Broadband: fast and reliable broadband is a key enabler for farm productivity especially as the uptake of smart technologies and precision farming techniques become mainstream. Good internet access will also be important to facilitate blended learning and allow farmers to undertake online training and CPD as part of the other policy prescriptions outlined in this report. The UK lags behind other countries regarding broadband roll-out. This needs to be kick-started. Government funding under any farm and rural policy should continue to prioritise the roll-out of ever-faster broadband in (remote) rural areas.
- Fiscal Support for Farming Families: identifying ways to promote living in rural communities and helping to ensure that the family farm is viable in the long-term should also be a focus area. Such initiatives could include tax incentives for working in adjacent industries (e.g. food processing) or widening agricultural restriction clauses for residing in rural dwellings.

TRADE AND MARKET ACCESS.

Although this road-map focuses on agricultural policy, trade is vital for farming. Notwithstanding the wider trade negotiations, there are specific areas in which DEFRA can be highly influential.

- Develop Markets Based on High Quality Standards: ABP encourages the UK Government, particularly DEFRA and the new Department for International Trade to prioritise efforts to open-up new markets, particularly in Asia. A key aspect of this is gaining approval for UK produce to be sold in high-growth markets such as China and South-East Asia as well as wealthy markets such as the US. This work can be started now and is unrelated to the outcome of the Brexit talks.

ENVIRONMENT.

ABP suggests policies that promote *greater value* through the encouragement of *imaginative and environmentally enriching initiatives.*

- Streamlined Cross-Compliance: cross-compliance should be retained, but more concise targets be set. These standards can be revised/stretched over time (e.g. every 3 years) to foster a culture of continuous improvement.
- Outcomes-Based Environmental Schemes: farmers and land managers should be paid for "delivering" an environmental result or outcome. Farmers would choose what management is required to achieve the desired result, rather than being required to carry out specific management actions. The benefit to this approach is that land managers have the flexibility to use their skills and knowledge to achieve the outcome in the best way they see fit. Often at lower cost than a prescriptive approach with a greater impetus for innovation and farmer engagement.
- Sustainable Production: although this term is over-used, it is useful because it encapsulates two key goals for the farming industry. One is to increase production of food and agricultural goods for other uses (energy or industrial processes). At the same time, this needs to be done sustainably. It is clear that efficiency at a business level and the environmental level can work together – using less resources is good for costs and good for the environment, and therefore, a modern, progressive, efficient farming sector can be good for the environment and the economy.
- Environmental Stewardship: would operate in a similar manner to existing UK schemes (e.g. Environmental Stewardship, Glastir etc.) but would have more of a productivity and outcomes focus. Farmers would receive a payment (e.g. £30/Ha) if they undertake enough activities to qualify. Farmers in less-favoured areas (LFA) or severely disadvantaged areas (SDA) would more easily qualify, provided best practice obligations are adhered to. This scheme could also include a 'carbon-offsetting initiative' where consumers, companies and other stakeholders could make a financial contribution towards the funding of Environmental Stewardship which would remain primarily Government-funded.

KEY BENEFITS.

The aforementioned policy interventions would generate a range of benefits.

Benefits for consumers:

- Competitive prices governed by market forces.
- Better quality produce (green, ethical, traceable etc.) and greater 'provenance'.

Benefits for producers:

- Improved efficiency and market orientation.
- Better risk (volatility) management and enhanced incomes.
- Reduced regulation, better training and more focus on operational excellence and innovation.
- Level-playing field vis-à-vis competitors.

Benefits for the UK Agri-Food Supply-Chain:

- Secure access to better quality raw materials to meet consumers' needs at home and abroad.
- Greater use of data and technology to minimise environmental impact and supply bottlenecks.
- Better communication, agility and alignment across the supply chain.

UK Societal Benefits:

- Self-reliant supply chain less dependent on imports from volatile regions.
- Better environmental performance and resource-use, improved animal welfare.
- Reduced exchequer burden; greater contribution of agricultural industry to the UK economy.

The UK has a once-in-a-generation opportunity to shape its agricultural policy for the coming decades. Future farm policies need to be efficient, effective and sustainable – both in terms of the environment but also helping to ensure that farming skills remain adequate to cater for the needs of a growing world population, both globally and nationally, now and into the future. The proposals put forward by ABP form part of a wider vision of fostering a modern, dynamic and efficient agricultural industry which continues to play a pivotal role in a vibrant and sustainable UK rural economy during the 21st century.

3. Context

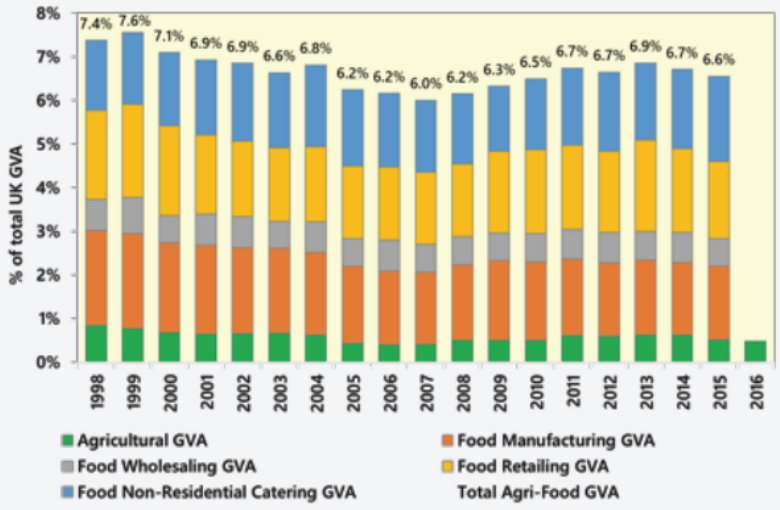
3.1 AGRI-FOOD'S CONTRIBUTION TO THE UK ECONOMY AND EMPLOYMENT.

In 2016 agriculture contributed 0.6% to the Gross Value Added (GVA) of the UK and employed 1.4% of the workforce[1]. But farming does not sit in isolation; it forms an integral part of the wider agri-food supply chain. The total GVA of the agri-food sector is shown in Figure 1 below. In 2015, the sector as a whole contributed 6.6% of GVA.

Over the 18 years shown there has been a general decline in the percentage of the UK economy comprised by the agri-food sector. But over the last decade it has been relatively stable in the range between 6% and 7%. It should be noted that these percentage figures mask the fact that there has been a substantial real-terms growth in the actual GVA of the agri-food sector; from £85.5bn in 1998 to £109.5bn in 2015.

It could be argued that agriculture only supports a section of the agri-food supply chain. If UK farming were to suddenly disappear it is perhaps only the food manufacturing sector that would be put at risk. The population would still need to eat, and imports would fill the gap – with wholesaling, retailing, catering carrying-on. However, these figures do not include the economic activity 'upstream' from the farmgate – those that supply farming. DEFRA figures suggest that the agricultural supply trade (manufacturing and wholesaling of inputs for farming), has a GVA of around £3.2bn (or 0.2% of total UK GVA). This figure excludes those selling 'professional services' to agriculture such as vets, accountants, land agents, lawyers, contractors, builders etc. Farmers and farming families will be spending in the economy so the 'multiplier effect' of income from farming activity needs to be considered. This is examined in more detail on the page opposite.

Figure 1 - GVA of the Agri-Food Sector - 1998 to 2016

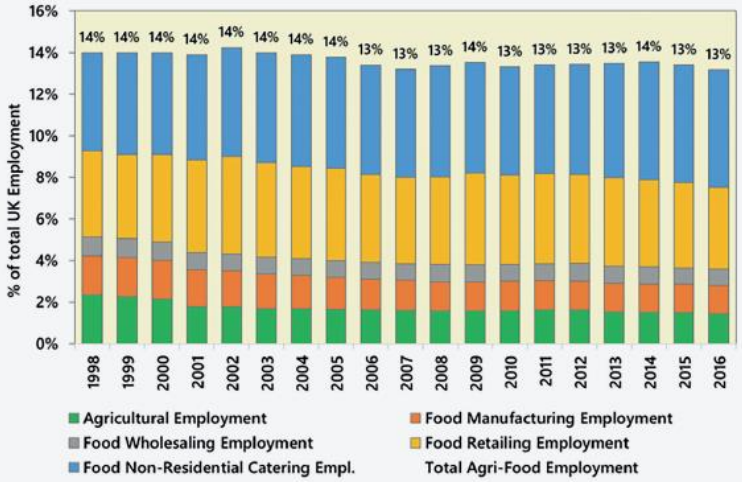


Sources: ONS, DEFRA

Farming also plays a key role in maintaining the environment and the social fabric of the countryside. Again, these factors are look at in more detail in later Chapters.

Looking at employment statistics, Figure 2 illustrates that the agri-food chain is more important in terms of percentage of the UK workforce it sustains. As with the GVA figures, these percentages hide an actual increase in the numbers employed in the sector; from 3.60 million people in 1998 to 3.83 million in 2016.

Figure 2 - Employment in the Agri-Food Sector - 1998 to 2016



Sources: ONS, DEFRA

Furthermore, it is also important to highlight that in addition to people directly employed in agriculture, both farming and the food industry also support jobs in the wider rural economy, particularly in industries such as animal health & feed, machinery, fertiliser, and advisory services (e.g. accountants, land agents etc.) for instance. Whilst there is limited information available on the size of these industries, agriculture plays a key role. The approximate contribution of agriculture to employment in the wider economy can be estimated via the multiplier effect. Figure 3 shows the employment multipliers for selected agri-food industries that are related to animal production. Based on 2013 data, agriculture directly employed 420,000 people (1.5% of total). The estimated employment multiplier for farming is 1.8 which means that for every person directly employed in agriculture it equates to 1.8 jobs in the economy generally. Therefore, farming is estimated to support 756,000 jobs across the UK (420,000 directly and 336,000 indirectly) which equates to 2.8% of the UK workforce.

When viewed in the context of employment in rural areas (see Section 7.1.1), the role of agriculture and related activities is vital and needs to be supported by Government.

Figure 3 - Employment Multipliers of Farming and Selected Other Agri-Food Industry Activities

Industry group and description	Employment multiplier*
Crop and animal production, hunting and related service activities (Farming)	1.80
Processing and preserving of meat and production of meat products	2.81
Manufacture of prepared animal feeds	3.60
Manufacture of vegetable and animal oils and fats	2.32
Manufacture of leather and related products	1.55
Veterinary activities	1.29

Sources: Office for National Statistics
*Based on Type I multiplier

3.1.1 Regional Breakdown

There are regional differences in the contribution farming makes to the economy. Figure 4 below splits the UK figures out into the English regions and the three Devolved Nations[2].

Figure 4 - Farming's Contribution to Regional GVA and Employment, 2015 (unless stated)

	England	Wales	Scotland	N. Ireland
Share of Gross Value Added	0.47%	0.69%	0.86%	1.02%
Share of Employment*	1.02%	3.63%	2.31%	5.50%
English Regions**	North East	North West	Yorkshire	East Midlands
Share of Gross Value Added	0.59%	0.54%	0.95%	1.07%
Share of Employment	0.89%	0.94%	1.22%	1.49%
English Regions**	West Midlands	East Anglia	South East***	South West
Share of Gross Value Added	0.81%	1.08%	0.16%	1.22%
Share of Employment	1.54%	1.32%	0.46%	2.24%

Source: DEFRA * 2016 figures ** 2014 year for English regional GVA *** includes London

3.1.2 ABP's Contribution to the Regional Economy

Figure 5 sets out ABP's contribution to the employment of each Local Authority area in which it operates across the UK. It includes both ABP's direct contribution to employment and its indirect contribution based on the latest UK Type I employment multiplier estimate of 2.81[3] (i.e. each job created by ABP directly equates to 2.81 jobs in the supply chain of the local economy). It shows that for counties such as Shropshire, approximately 3.6% of employment is related to ABP's activities. If the wider economy (i.e. Type II multiplier effects) were also considered, then the role of ABP would be greater still. This highlights the substantial contribution that companies such as ABP make to local economies across the UK.

Figure 5 - ABP Employment Impact by County

County/Local Authority	ABP Direct Employment	ABP Indirect Employment*	Total ABP Impact*	Overall Employees	ABP as % of Overall
Perth and Kinross	288	521	809	60,600	1.3%
Doncaster	822	1,488	2,310	120,300	1.9%
North Yorkshire	147	266	413	262,700	0.2%
York	144	261	405	102,500	0.4%
City of Liverpool	79	143	222	230,200	0.1%
Shropshire	1,455	2,634	4,089	114,800	3.6%
Surrey	149	270	419	560,200	0.1%
Kent	232	420	652	604,500	0.1%
Dorset	302	547	849	157,500	0.5%
Somerset	262	474	736	217,000	0.3%
Craigavon	295	534	829	40,500	2.0%
Newry and Mourne	366	662	1,028	33,400	3.1%
Total (selected Local Authorities)	4,541	8,219	12,760	2,504,200	0.5%

Source: ABP, Office for National Statistics
*Based on Type I multiplier of 2.81; ~ 2015 data

3.2 THE BEEF SECTOR

It is not easy to disaggregate the contribution of the beef sector from the rest of agriculture or the agri-food industry. At the farm level many businesses are mixed, particularly with cattle and sheep. Similarly, businesses further along the food chain are often 'red meat' businesses (beef and lamb). Suppliers sell to all farming sectors and do not specifically categorise their sales to beef farmers.

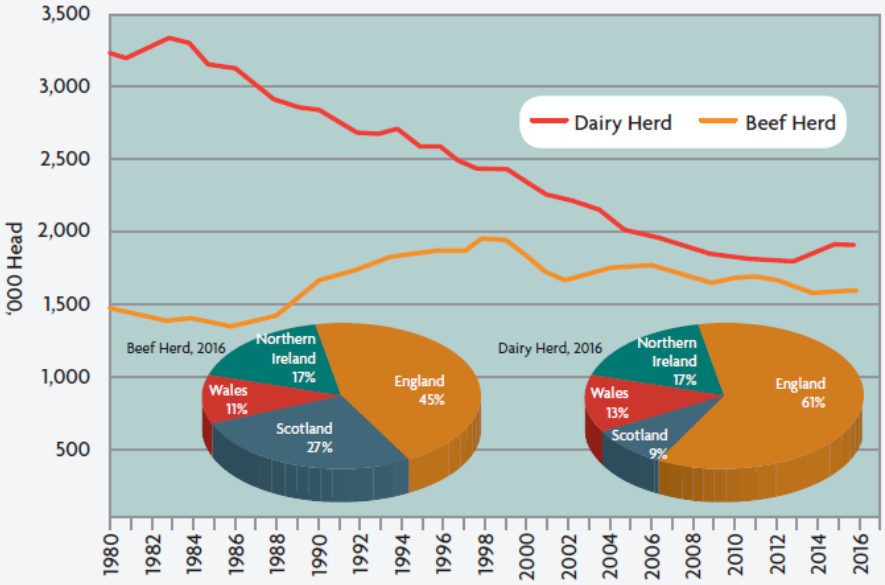
Despite this, the following section provides some more detailed statistics on the contribution of the beef industry to the UK.

3.2.1 Herd Sizes and Distribution

Figure 6 below shows how the size of the beef breeding herd has changed over the last 35 years. Also shown is the dairy herd. It must be remembered that a large proportion of beef supply in the UK is sourced from the dairy industry.

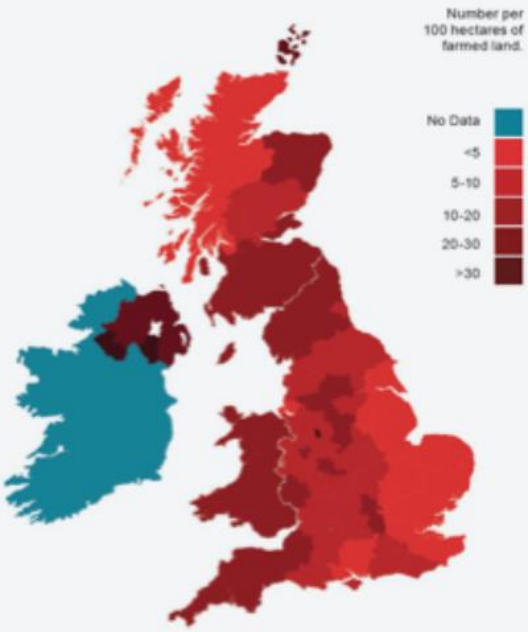
This includes cull dairy cows, and also the progeny of dairy cows that are not being used for replacements in the milking herd. Around 55-60% of the beef currently produced in the UK is ultimately derived from the dairy herd[4]. Figure 7 shows the distribution of the beef breeding herd across the UK.

Figure 6 - UK Cattle Herds – 1980 to 2016



Source: DEFRA

Figure 7 - Distribution of Beef Breeding Cows, 2013



Source: AHDB Beef and Lamb

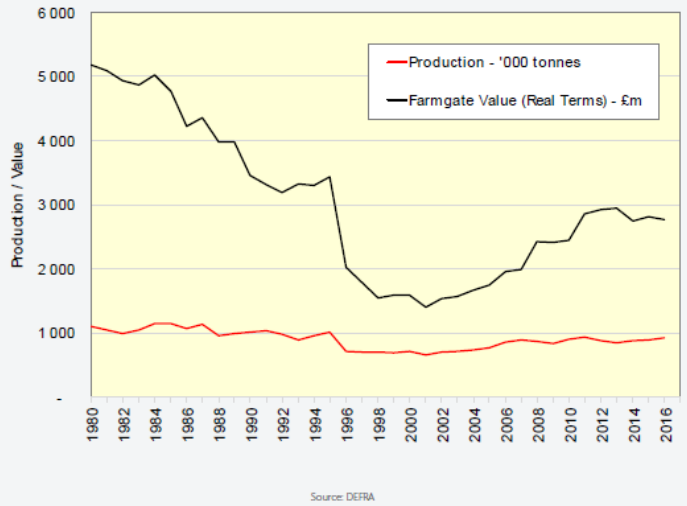
As can be clearly seen, there is a marked bias towards beef production occurring in the north and west of the British Isles. This is unsurprising. The higher rainfall in these areas is conducive to good grass growth. Also soil types and typography is less favourable for arable production, thus making grassland farming more attractive by comparison.

DEFRA statistics[5] for 2016 show that permanent and temporary grassland (7.27 million Ha) accounts for around 39% of the UK's agricultural land area (18.66 million Ha). When rough grazing (3.96 million Ha) is also included, grassland represents two-thirds of the UK's agricultural land area. Given this importance and the fact that livestock farming is the most efficient means to convert grass into protein, it is imperative that future agricultural policy considers this substantial contribution to farming, food and the countryside landscape.

3.2.2 Economic Value

Figure 8 below shows the total output (in tonnes of beef and veal) over the last 20 years, and its value at the farmgate (i.e. what farmers have sold it for). The value figure has been deflated by the RPI to get a 'real-terms' value.

Figure 8 - Beef and Veal, Production and Farmgate Value – 1980 to 2016



Source: DEFRA

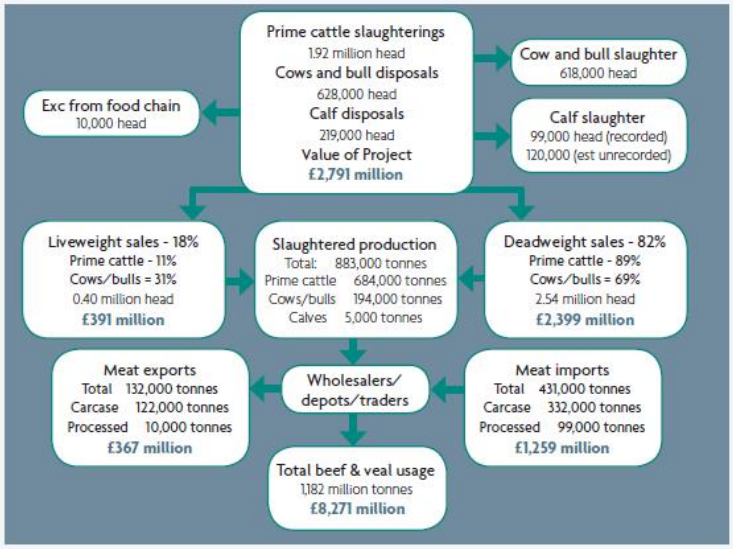
The farmgate value of the beef sector (at £2.76bn in 2016) is around 12% of the total output of UK agriculture (excluding subsidies).

A report[6] commissioned by the AHDB found that, in 2010/11 the English (i.e. not the whole UK) beef sector contributed an economic value of £897m to the economy. This was made up of £390m of direct value-added and a further £507m worth of employment. As the report itself states, this analysis excludes other contributions of the industry such as the environmental and aesthetic value of farmed landscapes, the contribution to food security, and even an enhanced sense of national pride.

The employment created by the sector is primarily in rural areas. This is obviously true of the farming part of the beef supply chain, but also the supply industries will largely be based in the countryside. Even abattoirs and processing plants are generally located in non-metropolitan areas (i.e. smaller towns or rural areas). The following interactive website shows the location of key plants in the UK meat sector - https://www.emap.org.uk/map.aspx

The following graphic[7] summarises the UK beef supply chain;

Figure 9 - The UK Beef Supply Chain



Note: Liveweight and deadweight percentage splits are estimated based on GB data.
Source: AHDB Beef & Lamb, Defra, GTIS/HMRC

Source: AHDB Beef and Lamb

4. Future Vision For The Industry

4.1 KEY CHALLENGES AND OPPORTUNITIES

The importance of UK farming to the wider economy has been demonstrated. Brexit brings both threats and opportunities for the sector. Negative impacts may come from disruption of traditional trade flows with the UK's closest trading partners, a reduction in government support for agriculture, little or no change in the regulatory burden on farming, and a general worsening of the economic situation reducing demand for beef. Against this must be put the opportunity to chart a new course for the industry outside of the EU. This might involve developing new markets for UK produce. But the remainder of this paper will be looking at policy interventions that can be used to make UK agriculture better able to thrive in the new circumstances in which it finds itself.

The general presumption is that the proposals outlined would form part of a new UK Agricultural Policy for the beef and sheep sector to replace the Common Agricultural Policy. However, the problems and solutions should not just be seen as something for 'government' to address; all parts of the industry need to play their part in moving farming forwards.

The challenges that are outlined below are common across the UK, so no differentiation has been made between England, Scotland, Wales and Northern Ireland. However, it is recognised that different parts of the UK do have unique features and therefore face slightly different sets of problems. Also, where policy measures are proposed, these are of a general nature across the UK. It is not yet clear whether there will be a framework 'UK Agricultural Policy' after Brexit, with some adjustments at a national level, or whether four quite distinct agricultural policies will emerge.

The challenges for farming have been grouped under five broad headings;

- Productivity: globally, the agricultural industry needs to meet the challenge of *doing more with less* in terms of feeding more people with fewer inputs such as energy, water and fertiliser. In simplistic terms, UK farming needs to help feed the world. However, our farming industry will only be able to contribute towards this goal if it is efficient and productive, thus generating long-term profitability. This task has become even more challenging given the price volatility experienced in recent years.
- Quality: consumers rightly demand the food they consume is of an excellent standard and it would be self-defeating to lower UK production standards. There are opportunities to improve the demand for UK produce by highlighting to consumers the quality of British produce. But the industry also needs to keep driving quality forwards to differentiate its products and add value. This could be in various areas such as eating quality (genetics and production systems), the provenance of food (local, high-welfare, pasture-fed etc.) or addressing food health issues.
- The Rural Economy: the agri-food sector is the lifeblood of the rural economy. 'Farm policy' should not just be for agriculture but should embrace a role in promoting a viable and robust rural economy which fosters innovation and makes a meaningful contribution to society generally which is both fair to farmers and the wider population.
- Trade and Market Access: to address the above challenges, it is vital that the beef and sheep industry can compete with its peers on a level playing field so that UK consumers are supplied with produce of the highest quality at reasonable prices whilst also having access to export markets for products which UK consumers do not consume (i.e. helps to achieve carcase balance). Future agricultural policy needs to be closely aligned with its trade policy so that the UK can become an internationally competitive global trading nation with a reputation for quality.
- Environment: underpinning all of the above is the need to promote a sustainable environment. This should not only encompass the traditional environmental topics of wildlife and habitats, but also cover greenhouse gas emissions, water, soil health, air quality and biosecurity.

Each of these topics is examined in detail in the chapters that follow. Firstly, evidence setting out the current situation and the scale of challenge is presented, then suggested actions (proposed policy interventions) are outlined which ABP believes should form part of future policy. There will be a strong focus on the beef sector, but many of the findings will be equally relevant to all parts of UK agriculture.

4.2 STRATEGIC VISION FOR THE UK BEEF AND SHEEP INDUSTRY

The challenges outlined above are apparent to most industry stakeholders, however, it is equally important not to lose sight of substantial opportunities available to the UK beef and sheep sector. Global population and meat consumption is rising which is fuelled by an expanding middle-class, particularly in Asia. If pursued correctly, UK agricultural policy presents an opportunity to revitalise British farming so that it is more attuned to the needs of consumers at home and abroad, underpinned by a policy that promotes productivity and provides the stability necessary for farmers to prosper in the longer term.

To this end, this is ABP's vision for a productive and prosperous UK beef and sheep sector by 2025:

- Consumption of domestically produced beef and sheep meat has risen by 10% per capita (driven primarily by import substitution) and has resulted in an equivalent increase in domestic production.
- Simultaneously, input usage has reduced by 10% whilst CO_2 equivalent emissions are 20% lower meaning that farming is playing its part in meeting the UK's long-term emission targets.
- Employment in production and processing is up by 5% on aggregate, driven by an agile and productive workforce which attracts new entrants from diverse backgrounds and skillsets.
- Any farmers exiting the industry have easy access to rural housing and re-training schemes to enable them to secure alternative employment nearby (if applicable).
- The sector is a valuable contributor to a robust rural economy which is supported by significantly enhanced broadband connectivity with average speeds at 75% of urban areas (as at 2025) and all rural dwellers achieving connectivity speeds at 50% or higher vis-à-vis urban areas.
- 95% of UK farms should be regularly engaging in CPD training and utilising cloud-based farm management information systems in their operations thus enabling them to fully exploit the potential of big data, automation and emerging technologies.
- 95% of UK beef and sheep meat production is underpinned by Lifetime Assurance and is consistently ranked in the top-5 globally for quality and safety.
- Exports to the EU are maintained at current levels (enhanced productivity compensating for increased trade facilitation costs) whilst high-value exports to non-EU countries increase by 50%.
- The performance gap, in terms of production cost, between the top 25% and the bottom 25% of farms is halved across each major farm type.

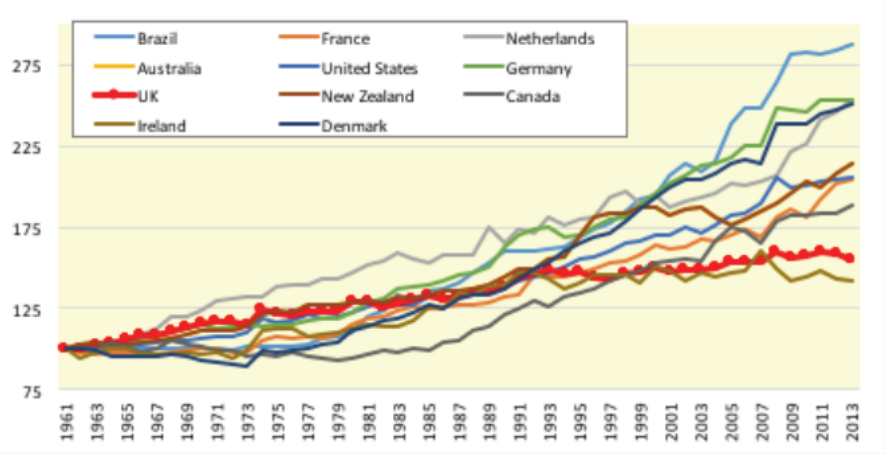
5. Productivity

5.1 CURRENT SITUATION AND KEY TRENDS

5.1.1 UK Agricultural Productivity

Before looking at the beef sector in detail, it is worth looking at the performance of UK agriculture in general over an extended time period. Economists often use a measure called Total Factor Productivity (TFP) to look at efficiency. This compares the *volumes* of outputs produced by farming with the volumes of input used. Because it focuses on physical quantities rather than prices it shows how good the sector is at turning inputs into produce and takes out the distorting effects of market price movements. TFP is not a perfect measure of productivity (it cannot identify if the right thing is being produced, just how efficiently it is being done). It is a good starting point for the analysis however. Figure 10 shows the TFP for selected countries[8].

Figure 10 - Total Factor Productivity, Selected Countries – 1961 to 2013



Source: USDA

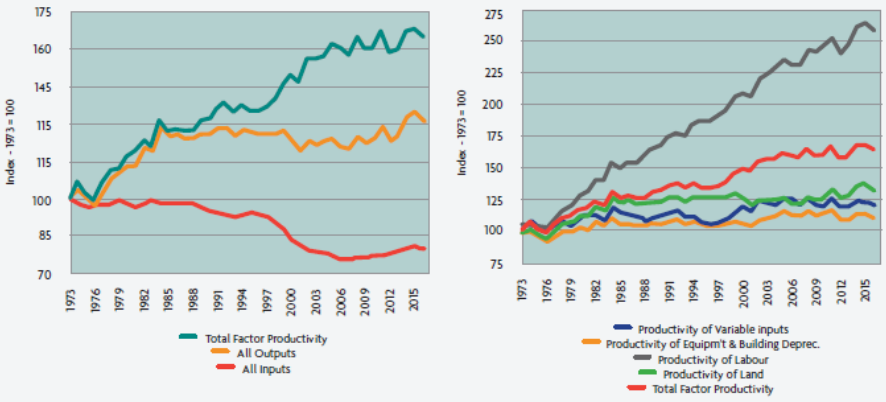
It can be seen that the UK has lagged behind in TFP growth compared to other countries. Like all statistics though, the data needs some interpretation. The stand-out performer is Brazil, but TFP in less developed farming industries is relatively simple to increase with easier gains to be had. However, other impressive performances are shown by countries such as the Netherlands, Denmark and Germany – nations much more like the UK. It is perhaps interesting to note the relatively slow TFP growth in New Zealand and Ireland – nations that are often held up as great examples of a modern and efficient agricultural industry. However, it must be noted that because the latest data only goes up to 2013, the effect of the abolition of milk quotas in Ireland during 2015 has not been included.

It should be pointed out that TFP is based on an index compared to a point in the early 1960's. It is therefore only showing how productivity has changed over 50 years, not the absolute level of productivity. It might be the case that the UK was far ahead in the 1960's and other countries have simply been catching-up. However, this seems unlikely.

Figure 11 below looks at the UK TFP data in more detail. It uses a slightly different dataset so starts later, but brings the figures fully up-to-date. The average TFP growth over the period shown is 1.48% per year. However, over the last 10 years it has only been 0.4%. In the late 1970s and early 1980's UK farming's TFP grew strongly (by 2.4% per year between 1974 and 1984). This was largely driven by increases in output, whilst input use was static. TFP stayed relatively unchanged during the mid-80s to mid-90s. Another burst of growth occurred from 1996 onwards (annual average improvement of 2.6% between 1996 and 2006). This was due to a reduction in input use (whilst output remained relatively unaffected). Since the mid 2000's TFP has remained relatively unchanged with year to year variations because of weather changes.

It is then possible to go further and break down the input side of the data which is shown on the right-hand chart of Figure 11. Variable inputs are things such as feed, seeds, fertiliser, sprays and fuels. It can be seen that almost all of the improvement in productivity is down to an improvement in labour productivity – mostly a decrease in the volume of labour used.

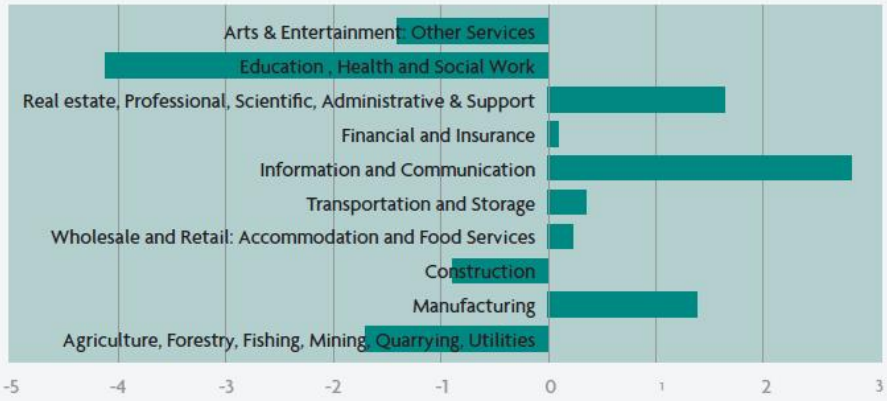
Figure 11 - UK Total Factor Productivity – 1973 to 2016



Source: DEFRA

One final chart on productivity shows how the agricultural sector compares with other parts of the UK economy. This is set out in Figure 12. Unfortunately, this introduces another measure – multi–factor productivity (MFP). This measures the change in real (inflation adjusted) economic output that cannot be accounted for by changes in measured inputs of labour and capital, i.e. the improvement in output that cannot be attributed to higher labour or capital input. Again, the measure is not perfect, and the statistics combine farming with other sectors. It does show that, during this period, farming was not alone in having a poor productivity performance.

Figure 12 - UK Multi-Factor Factor Productivity Growth by Sector – 1998 to 2015



Source: ONS

Weather conditions and other shocks such as disease outbreaks cause short term fluctuations in productivity, but it is the long-term trend in this measure that drives agricultural competitiveness and farm profitability. A number of studies have analysed the developments in agricultural TFP and aimed to identify individual productivity drivers[9]. These found some common themes in what improves the performance of agriculture at the aggregate industry level. These can be summarised as follows;

- national investment in R&D
- capturing technology spill-overs[i] through adaptive research[ii]
- extension services
- strengthening rural education
- institutional support
- policies providing economic incentives to producers
- structural change
- profitability and reinvestment

These drivers of competitiveness are covered more fully in the rest of this report.

5.1.2 Cost of Production

There are no specific factor productivity figures for the beef sector. However, another approach is to look at costs of production. A low cost of production allows a farmer to remain profitable at a wider range of market prices, and also to achieve greater profits than his/her competitors at any given price. On an international scale, a low average cost of

[i] Technology spill-overs are the beneficial effects of new technological knowledge on the productivity and innovative ability of other firms and countries.

[ii] Adaptive research is defined by the FAO as 'research in enhancing productivity or solving problems.'

production for an industry demonstrates that it is globally competitive. In a trading environment, its farmers should be able to prosper.

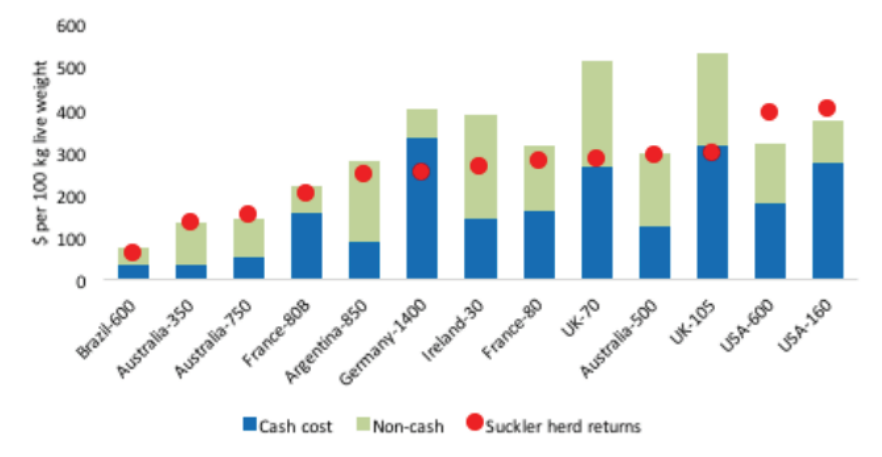
In order to achieve and sustain growth in agricultural production, UK producers need to be competitive not just with one another but also with key producers from the EU and globally, so being able to match the costs of the best producers is important. However, it is not easy to calculate costs of production. Even between farmers in the same locality there are issues that need to be overcome;

- how to allocate costs between enterprises where an input is used across multiple enterprises. For example, a tractor that is used on the arable and beef enterprises
- the treatment of non-cash costs. This particularly relates to the cost of land in owner-occupied businesses (should a market rent be imputed?), and the value of the proprietor's and family labour (should the value of this be recognised, and if so, at what rate?)
- differences in enterprise structure. It could be argued that, if costs are reduced down to a unit-of-production basis (e.g. pence per kg) the way that unit is produced is immaterial. However, the cost structure of, for example, a grass-fed beef enterprise versus a 'feedlot'-type finishing system would be very different. This becomes particularly relevant where the production system influences the market price – for example, by commanding a premium.

When it comes to comparisons between countries, the difficulties of producing like-for-like figures becomes even more difficult. Farm structures, taxation systems, welfare standards, environmental legislation and even culture differ markedly. The largest problem though is the effect of exchange rates. For comparative purposes, everything needs to be converted into a common currency. However, the exchange rate chosen to do this can be highly influential in whether a particular country looks competitive or not.

Given all these difficulties (and caveats), there has still been work undertaken in trying to make international comparisons of costs of production. Figure 13 below shows an international comparison of the cost of production

Figure 13 - Suckler Herd Production Cost Comparison in Selected Countries (US$/100kg live weight)



Sources: Agri-benchmark and AHDB
* Compiled in order of suckler herd returns

for beef based on results provided via the Agri-benchmark international comparison network and reported in the AHDB Stocktake report 2016[10]. The data shown is for 2015 and compares the suckler herd returns (weaned calves, culled cows) in the context of both cash costs (including feed & forage, veterinary & medicine etc.) and non-cash costs (including family labour, imputed owner-occupied land costs and depreciation). The numbers after each country indicate the amount of cows put to the bull each year. It must be emphasised that the CAP payments received by EU countries each year are ***not*** included in the returns figures.

The results show that the UK is the highest cost producer and whilst Sterling was strong in 2015 (thus making exchange rates unfavourable), the UK's production cost base is significantly higher than key global competitors such as Brazil, Argentina, Australia and the USA, particularly in terms of non-cash costs. It is also noteworthy that the UK's cost base is significantly higher than that of the Republic of Ireland despite both UK farms having a larger herd size and comparable returns. In recent years, nearly 70% of all the imports of beef into the UK were from the Republic of Ireland. Therefore, the production costs of the UK vis-à-vis Ireland is particularly important.

Of course, simply presenting a cost-of-production figure for a country is a huge simplification. The competitiveness of a beef sector will also depend on the processing sector and issues such as geography, transport costs and trade costs. Especially when it is considered from a perspective of how well the UK sector might cope with import pressure.

5.1.3 Range of Performance

The figures presented in the preceding section simply showed average (or typical) measures for the industry. However, farming is characterised by a large number of businesses, operating different production systems in different sectors. This means that within the industry, or even a specific sector, there is often a vast range of performance. This is an important point. The average figures may show an industry with lacklustre competitiveness. But this may actually hide the fact that it is made up of a mix of very productive, highly efficient and globally competitive producers, and a 'rump' of low-performing enterprises. Figures 14 and 15 below provide examples of this and are based on data from the Farm Business Survey (FBS) for England. *Note that in this case 'Output' includes all support and diversification income. Totals may not always sum due to rounding.* Data for both lowland and upland herds is shown.

Figure 14 - FBS Lowland Livestock Returns – 2013/14 & 2014/15 Average

£ per Ha Average	Low Performance		Medium Performance		High Performance	
	£ per Ha	%*	£ per Ha	%*	£ per Ha	%*
Total Output	750	100%	1,116	100%	1,086	100%
Variable Costs	345	46%	451	40%	323	30%
Fixed Costs	537	72%	553	50%	409	38%
Farm Business Income	-129	-17%	117	14%	358	33%
Average Farm Size - Ha	61		98		144	
Stocking Rate – LU/Ha	0.91		0.91		0.81	

Source: DEFRA (Farm Business Survey) / Andersons
* as a percentage of total output

Figure 15 - FBS Upland Livestock Returns 2013/14 & 2014/15 Average

£ per Ha Average	Low Performance		Medium Performance		High Performance	
	£ per Ha	%*	£ per Ha	%*	£ per Ha	%*
Total Output	610	100%	728	100%	638	100%
Variable Costs	323	53%	306	42%	205	32%
Fixed Costs	420	69%	339	47%	234	37%
Farm Business Income	-131	-22%	86	12%	201	31%
Average Farm Size - Ha	75		140		219	
Stocking Rate – LU/Ha	0.79		0.65		0.49	

Source: DEFRA (Farm Business Survey) / Andersons
* as a percentage of total output

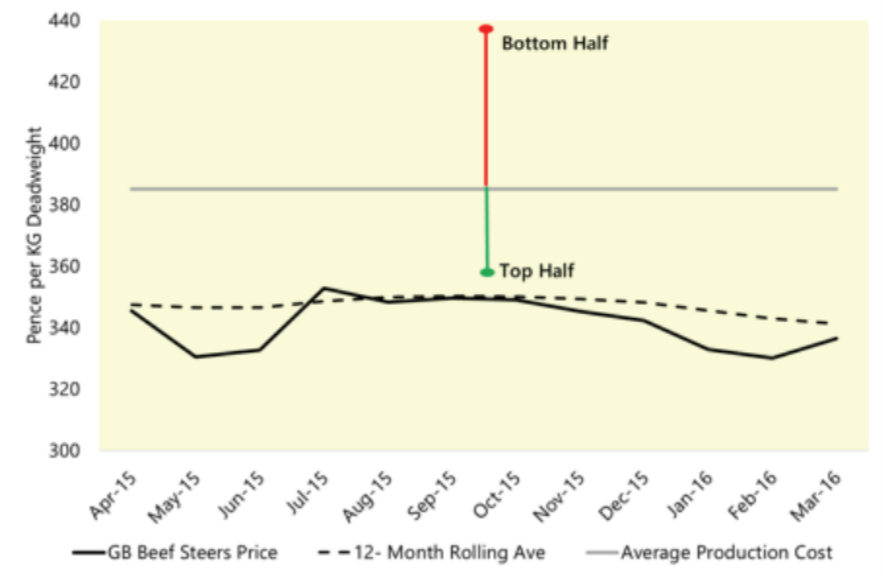
Some key points can be noted;

- The better performers produce a greater output from each hectare of their land. This is not always due to higher stocking rates, more the higher value being achieved for each animal reared.
- To achieve this higher output, the better businesses are ***not*** spending significantly greater amounts on variable costs – i.e. they are utilising inputs far more efficiently.
- Fixed (or overhead) costs are also lower on the best performing businesses.
- The higher level of output allows costs to be more in balance as a percentage of total output – allowing a surplus to be generated as positive Farm Business Income (i.e. profit).
- The average farm size is greater on the better performing farms. However, this does not necessarily mean that larger farmers are always 'better'. In fact, the FBS data is grouped into performance bands by ***total*** profit per farm, not profit per Ha. Therefore, by default the bigger farms will fall into the better band. *This highlights an issue with grouping farms by 'performance' – it is important to know how the analysis is being undertaken.*

Figure 16 also demonstrates the range in performance on a pence per kg basis using data obtained from the 2016 AHDB Stocktake report[11]. It shows that average producers' full production costs (cash and non-cash) were estimated at 385 p/kg in 2015/16, meaning that prices received were below full production cost throughout the year. This highlights the importance of support payments to the beef sector. The chart also shows that the top-half of producers had much lower average costs, estimated at just under 355 p/kg whilst the poorer performers had production costs of over 436 p/kg, a difference of over 82 p/kg versus the better performers.

Such differences reveal the significant scope for improvement across the beef industry and suggests a 'long tail' of under-performing businesses in the Livestock sector – a subject looked at in more detail in the next chapter. Whilst this in only a 'snapshot' for one year, an investigation of the historical data shows similar patterns over a number of years.

Figure 16 - Performance Range for Beef Finishing Enterprises (16-24 months) 2015/16 (p/kg)



Source: AHDB and author's calculations

5.1.4 What Drives Performance?

The immediate question from the previous section may be 'why is there such a large range in performance between farms?'. Evidence from a range of sources suggests that management is key. For example, DEFRA undertook studies in 2012 into the performance of farms[12]. As illustrated above, these found a 'high level of variation in efficiencies'. Of the variation only around 5% was due to large-scale geographic factors (e.g. regional differences in soil, climate or markets). Another quarter was due to year-on-year seasonal variations. But around 70% was due to between-farm differences, chiefly differences in management ability.

A number of management practices are evident in high performing businesses[13,14];

- Use of management accounting. This includes having a formal business plan (budget) and using benchmarking techniques.
- An open attitude to gaining and sharing information that may be useful in the business – for example discussion groups, press articles etc.
- A willingness of the managers to continue to improve their skills (through training) and also to develop the wider 'team' on the farm – staff training, or encouraging family members to gain experience elsewhere.

- Greater use of information technology.
- Adoption of risk management strategies. These may include selling on contract basis with a fixed price, entering into longer-term relationships with customers, or fixing input costs.
- A high level of attention-to-detail. The best performers often do a lot of things a little bit better than the average, rather than a few things massively better than the normal.

To simplify and generalise, the beef sector, on *average*, has been slower to adopt these practices than other parts of UK (and world) farming. Certain elements of the British beef industry are very 'traditional' and resistant to change.

The red meat sector as a whole is held back by 'lifestyle' farmers more than most other sectors. Many operators who have left dairying, or have a small piece of land, keep a small herd of cattle or flock of sheep. Similarly, arable farmers with uncultivable meadows might have some livestock but it would not be their chief business focus. Red meat farming evidently has the lowest barriers to entry as well. Most people who 'retire to farming' are likely to enter this sector. Few lifestyle farmers become intensive poultry farmers for example. This category of producer will make rational but uneconomic decisions as farming is primarily for leisure, not commerce.

5.2 PROPOSED POLICY INTERVENTIONS

Given what has been outlined above, what might be done to improve the performance of the UK farming in general, and the beef sector in particular? The policies outlined in this section are suggestions from ABP that it is believed would address some of the issues highlighted.

5.2.1 Productivity Support

This productivity support mechanism would consist of two strands namely *promoting best practice and minimising income volatility* which would help to achieve the following aims;

- Incentivise the production of food, but only high-quality produce the market wants (not production for the sake of it).
- Provide financial support to the farming industry, but only to those actively farming. Payments would be linked to efficiency and environmental protection so no perverse incentives were set up.
- Be relatively simple and cost-effective to administer.
- Allow the market to operate freely so that price would continue to provide market signals and consumers would benefit from low prices during times of oversupply.
- Limit the cost to the exchequer by curtailing support when the market provides adequate returns and capping payment levels during severe market downturns so that market signals are adhered to by farmers.

A. Promoting Best Practice

Throughout this report, the importance of delivering quality produce which consumers value while using resources as efficiently as possible, is highlighted time and again. Although some producers are lagging on productivity, it is important that they are given the opportunity to improve their standards not just in terms of production but crucially in respect to quality, animal welfare and environmental stewardship – areas which UK consumers value highly. To this end, ABP proposes that farmers receive a Best Practice Payment (BPP) which would be decoupled from production, and would be paid provided productivity key standards were met (including minimum and maximum stocking rates which each farm type should be aiming to achieve). This BPP would equate to around 90% of the level of direct support currently provided to beef farming in the UK. It is also envisaged that similar support levels would be provided to the sheep and dairy farming sectors.

Based on average direct support rates over the past 5 years, Figure 17 sets-out what the projected BPP would be for both lowland and upland livestock farms. The lowland payment is based on the author's calculations and takes account of BPS payment rates across the UK which are assumed to apply in lowland/SDA regions. The upland payment takes account of Moorland and similar regions in Scotland (known as Region 2 and Region 3).

Figure 17 - Proposed Best Practice Payment Rates

Land Type	UK 5- Year Average (£/Ha) (CAP Pillar I)	Best Practice
BPS Payment Rates (incl. Greening)	202.00	181.80
Rough grazing/ Moorland payment rate	35.00	31.50

Source: Author's calculations

These payment rates were then combined with UK average area estimates for grassland (lowland and rough grazing) based on DEFRA data[15]. Figure 18 estimates the projected cost of BPPs for all grazing livestock under a productivity support system would be just under £1.5 billion. This is approximately £166 million below current CAP Pillar I payments (i.e. direct support) to the grazing livestock sector.

Figure 18 - Estimated Best Practice Payments for Grazing Livestock based on Land Types

Land Type	'000 Ha	Estimated CAP Pillar I payments (£M)	Best Practice Payments (£M)
Lowland*	7,398	1,479.6	1,331.6
Rough grazing/ Moorland payment rate-	5,111	178.9	161.0
Total	12,509	1,658.5	1,492.6

* includes temporary grass under 5 years old and permanent grass over 5 years old.
- encompasses common rough grazing and sole right rough grazing

Sources: DEFRA and author's calculations

Figure 19 provides estimates of direct support by grazing livestock species. These estimates were derived based on DEFRA data on livestock populations and assumed average stocking rates (LUs/Ha) for both lowland and upland farms. In addition to beef, dairy and sheep enterprises have also been included in the calculations. For beef, the BPP rate would reduce direct (decoupled) support by approximately £100 million. This difference would fund the income volatility support (IVS) outlined in the next section.

Figure 19 - Estimated Best Practice Payments for Grazing Livestock (Beef, Dairy, Sheep)

Enterprise Type	Estimated CAP Pillar I payments (£M)	Best Practice Payments (£M)
Beef	1,003.6	903.2
Sheep	277.7	249.9
Dairy	280.9	252.8
Other*	96.3	86.6
Total Payment	1,658.5	1,492.6

* includes goats, deers etc. Outdoor pigs are not included in this analysis as land area devoted to this enterprise is calculated separately by DEFRA.

Source: Author's calculations primarily based on DEFRA data.

How Best Practice Payments would work:

Conceptually, the BPP scheme would be based on a yearly claim of historical grazed area and would be similar to the CAP's Basic Payment Scheme (BPS) but would include key productivity targets that farmers must achieve in order to receive their full payment. If productivity targets are not achieved, penalties would be incurred. Initially, a few (e.g. 5-7) productivity targets will be set at an attainable level in the context of the capabilities and historic performance of each farm. Over time, these targets would evolve in line with productivity improvement expectations.

At the outset, it may be worthwhile to start with a few options and the most critical key performance indicators (KPIs) that farms must improve on. By having a limited number of targets that make the most impact on performance and are straightforward to record, the bureaucratic burden should be minimised. Over time, this could be gradually evolved as familiarity with the system improves amongst farmers and other stakeholders. Furthermore, it is envisaged that the scheme would be able to leverage the growing capacity of the cloud and 'big data' to automate data gathering and minimise the bureaucratic burden.

Figure 20 sets out some examples of productivity targets which could be considered under this scheme for a suckler farm. It includes Year 1 and Year 3 targets which illustrate how farmers could be nudged to improve performance over time. Similar performance targets could be compiled for other farm types (e.g. finishing enterprises or mixed farms). The Northern Ireland case studies shown in Appendix 1 reveals that substantial productivity and profitability improvements are attainable whilst keeping production costs relatively stable. ABP believes that this example points the way for productivity improvements across the UK industry generally.

It is also envisaged that over time, a 'Productivity Scorecard' could be developed for each farm where actual performance is compared against productivity targets. These could potentially be aligned with national policy goals (e.g. reducing CO_2 emissions from agriculture in line with the Paris Agreement commitments).

It must be emphasised that these examples are not exhaustive but rather serve as a basis for further discussions. It must also be borne in mind that both policy-makers and industry generally need to focus on addressing information and data management gaps so that farms of the future can record and measure productivity performance seamlessly in real-time. A key pre-requisite for this will be having a cloud-based Farm Management Information System (FMIS).

Figure 20 - Best Practice Payments Scheme (Suckler Farm) – Productivity Targets

Key Performance Indicators	Year 1 Target	Year 1 Performance	Year 3 Target
Greenhouse Gas Audit*	Undertake audit to measure CO2e / kgLW	8.9 kg CO2e / kgLW	8.0 kg CO_2e / kgLW
Nutrient Management Plan	Establish plan, measure performance	Plan in place. N, P and K measured	225kg N / ha (30% from N fixing)
Farm Management Information System (FMIS)	Have operational system	Inputs costs regularly recorded	All Input and outputs regularly recorded
Farmer CPD**	Accrue 10 hours of CPD	11 hrs	12 hrs
Productive Stocking Rate***	1.3 – 1.9 LU/ha range	1.5 LU/Ha	1.4 – 2.0 LU/ha
Herd and flock recording	Establish electronic system	All cattle recorded on FMIS	All livestock recorded on FMIS
Genetic improvement (use of performance recorded sires)	80% of sires' performance recorded	90%	100%

* Consideration would need to be given to how to make the audit/plans drive change, rather than simply being about producing a document. Future audits would need to show an improvement (e.g. reduce CO_2e by 0.3 kgLW/yr). For example, the Grassland Management Plan could be measured by a metric such as kg of meat from grazed grass.

** Attendance at all CPD events would be recorded using an 'Oyster Card' type swipe system or a smartphone-based system to automatically credit farmers' accounts. The focus of these events such be on improving performance (e.g. reduce like-for-like production costs by 10% after 3 years).

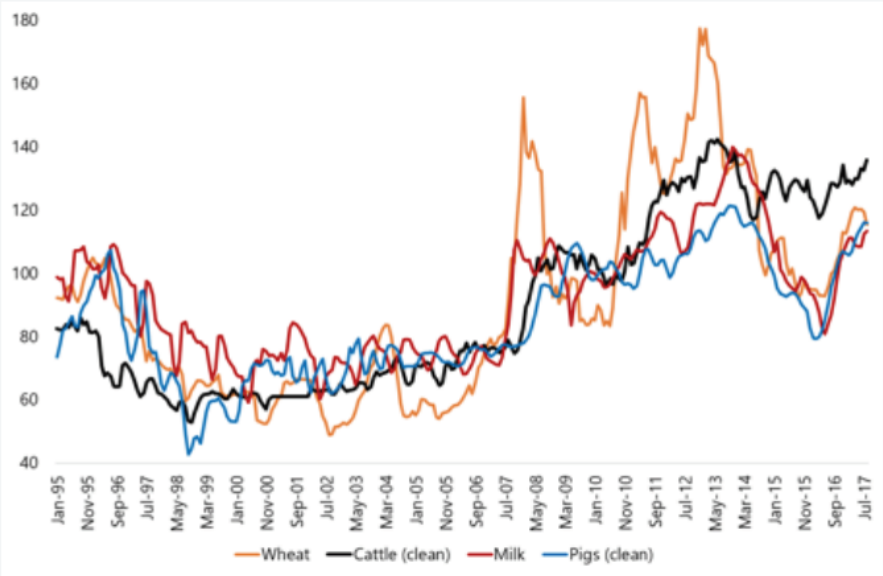
*** To encourage greater productivity, stocking rates must be above a minimum performance target. The maximum performance target will consider land capabilities and the environment.

Source: ABP

B. Income Volatility Support (IVS)

In the last decade, income volatility has become a major challenge for farming globally, not just in the UK. Price variability across agricultural commodities has been a key driver of this. Figure 21 illustrates the volatility in UK agricultural prices since the mid-1990s. Over the past decade, it shows that in comparison with other sectors, cattle prices have performed well, and volatility has been less pronounced vis-à-vis cereals and milk for example. That said, income volatility remains a key issue for livestock farmers and policy needs to address this.

Figure 21 - Index of Agricultural Prices in UK Farming, 1995 to 2017 (2010 = 100)

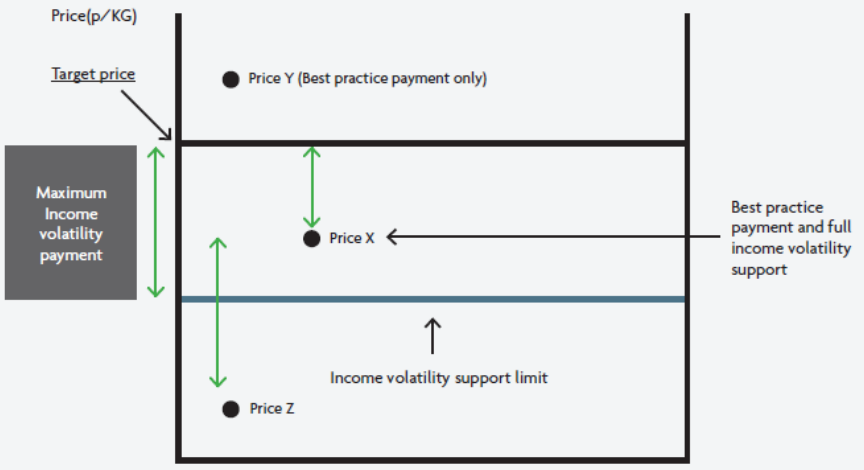


Source: DEFRA

For beef cattle and sheep, ABP proposes that income volatility support should be decided on a per finished animal basis with an appropriate target price agreed at a UK level which would consider the existing sector cost base and historical prices whilst also focusing on the quality of prime meat produced. Figures 22 and 23 provide a conceptual and practical illustration of how IVS would work. When market prices are at or above the target price level, farmers would only receive a best practice payment, as described above, for each animal finished provided minimum performance targets are met. The target price level could also be adapted depending on the quality grade achieved. If market prices go below the target price (e.g. Price X), then the IVS would be triggered and would be provided to farmers to supplement their incomes up to the approximate level of the target price. If prices go above the target price (e.g. to Price Y), then farmers would only qualify for the BPP.

The IVS would also have a limit so if prices were to go below this point (e.g. to Price Z), then the income volatility payments that farmers receive would not reach the target price.

Figure 22 - Income Volatility Support – Conceptual Overview



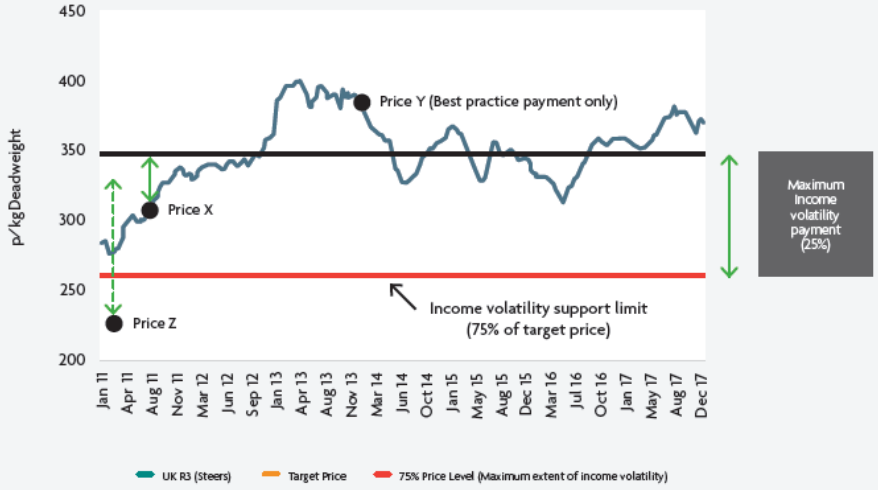
Source: ABP

Such a system would permit consumers to benefit from lower prices when the market is at such levels (e.g. Prices X and Z) and farmers would be compensated via an income volatility payment to a certain limit. By setting an income volatility payment limit, farmers would need to continue to adhere to market signals and to curtail supply during periods of very low prices (i.e. at Price Z). Conversely, at higher prices, aside from the BPP, farmers would not receive any support and would rely on market prices.

The target price could be reviewed periodically (e.g. every 3 years) and would also consider global supply and demand trends as well as competitive performance. Figure 23 provides an illustrative example of how such a system would apply to the UK beef industry using AHDB reference prices for R3 steers. The target price would be set on a pence per kg deadweight basis (e.g. 350 p/kg for 2011-2017). When prices are at or above the target price (i.e. 350 p/kg), farmers would only receive a best practice payment. If prices move lower, the income volatility support (IVS) mechanism is triggered and farmers would receive a payment on slaughter and this would take prices back up to the target price level. If prices drop below 75% of the target price, the maximum income volatility payment that farmers would receive would be 87.5 p/kg (25% of the target price). Based on the illustrative price levels shown in Figure 23, the IVS mechanism would only have been triggered on a few occasions since 2013 but would have been applied fairly frequently during the relatively low-price periods of 2011 and 2012.

Of course, policy-makers would have the flexibility to adapt the IVS mechanism, by periodically changing target prices (e.g. every 3 years) to take account of productivity improvement targets that would be set for the farming industry.

Figure 23 - Income Volatility Applied to the Beef Sector Based on R3 Steer Prices



Sources: AHDB and ABP

5.2.2 Income Volatility and Productivity Support – Projected Costs

Based on the support tools outlined above which would be applied to prime cattle in the beef sector (i.e. steers, heifers and young bulls) and using AHDB monthly slaughter data and monthly price statistics for steers in England and Wales as a proxy for average beef prices across the UK, Figure 24 sets-out the estimated cost of productivity support during 2011 to 2017 (note that 2017 data contains estimates for no. of animals slaughtered (Dec '17), beef prices (Dec '17) and farm-level cattle output (assumed to equate to the 2011-2016 average).

From 2011 to 2017, IVS payments to the beef sector would average at £70.1 million per annum. During periods of low prices, IVS would be significantly higher as would have been the case in 2011 and early 2012, however, from late 2012 onwards payments would have been relatively low. If this policy were to be adopted, it would be worthwhile for the Government to consider establishing a volatility reserve so that a specified sum (e.g. £100 million) could be set-aside each year. In times of good prices, this reserve could accumulate so that there would be a sufficient buffer in the event of prices deteriorating and income volatility payments being made. In 2016, it is estimated that the Basic Payment Scheme (BPS) cost just over £2.6 billion and it is believed that payments to grazing livestock farming accounts for half of this total (circa £1.3 billion per annum). Accordingly, the productivity support proposed by ABP has the potential to achieve savings when averaged out over a 7-year period (see Figure 25).

It is envisaged that the system would apply to both the beef and sheep sectors. For sheep meat, the mechanism would operate similar to that described above, although it may need to be adapted slightly to take account of seasonality. For instance, target prices could be based on a 12-month rolling average.

Figure 24 - Income Volatility Support – Estimated Costs – 2011-2017

Year	Income Volatility Support (£M)	Cattle Output (£M)	Income Volatility Support (%)**
2011	£291.1	£2,573.0	10.5%
2012	£46.8	£2,794.0	1.6%
2013	-	£2,886.0	0.0%
2014	£64.6	£2,611.0	2.4%
2015	£16.6	£2,756.0	0.6%
2016	£71.6	£2,763.0	2.6%
2017*	-	£2,826.2	0.0%
Average*	£70.1	£2,826.2	2.5%

* Assumed to equate to the 2011-2016 average ** as a percentage of cattle output.

Source: Author's calculations

Figure 25 - Estimated Productivity Support Payments for UK Beef Farming

Support Type	£ Million
CAP Pillar I payments (£M)[1]	1,003.6
CAP Direct Support	**1,003.6**
Best Practice Payment (BPP) [1]	**903.2**
Income Volatility Support (IVS)[2]	**70.1**
Total Direct Support	**973.3**
Projected Saving	*30.3*

[1]based on 5-year average; [2]based on 7-year average.
Source: Author's calculations

The grazing livestock industry is the one most challenged by Brexit for several reasons, and therefore a target scheme for this sector is justified;

- The beef and sheep sectors are currently reliant on support for profitability (more so than other parts of farming). Therefore, this scheme would prevent wrenching change.
- Beef and sheep production is the only realistic farming option in the uplands and hills of the UK. This targeted support helps farming continue in these fragile areas.
- Outside of the uplands, grazing is important in environmental terms. The rules of the scheme can be set to preserve these benefits.
- These sectors, especially sheep, may be the most challenged by interruptions to historic trading patterns caused by Brexit.

5.2.3 Knowledge Transfer (Exchange) and Technology

Knowledge exchange is taken as a two-way flow of information, normally from researchers to advisors then on to farmers and vice versa. This is necessary, particularly with cutting edge and pioneering farmers, it helps reference research and feeds back information from industry to the research community. Knowledge transfer is more a one-way flow of information, helping the less advanced operator to catch up the ground already made by the pioneers. There is much research that has been undertaken and information available that has not reached a large proportion of farmers who could make good use of it.

Many farmers operating in lower quartiles might not even realise they are in that position, suggesting the benefits of benchmarking and other techniques could be tremendous on some farms.

As outlined above, the willingness of those running farm businesses to improve their skills and increase their knowledge is a key feature of better-performing farm businesses. Whilst many UK farmers do currently follow these practices by no means all do. A DEFRA survey on Farm Practices[18] in 2011/12 found that 48% of farmers surveyed stated there were no business management areas they wished to have more information on. In addition, two thirds (66%) of farm businesses identified no areas in which they would like to acquire further knowledge and skills. This demonstrates a considerable proportion of the farming population are not seeking out new ideas and best practice.

It can be argued that as independent business people, farmers are at liberty to choose how they run their businesses – including what steps they take to adopt best-practice and use technology. However, if those businesses are in receipt of public funds, it is a valid policy to require them to use those funds efficiently. This includes operating their businesses in an efficient manner.

Applying 'conditionality' to public payments is already done. The receipt of certain funding under Rural Development schemes across the UK is dependent on the applicant taking advice. However, the development of knowledge and skills has not really been linked to the receipt of funding to any meaningful extent.

It is proposed that farmers are encouraged to pursue continuing professional development (CPD) that delivers tangible results to improve productivity. This could be done by offering farmers CPD credits to participate in initiatives such as AHDB Beef and Lamb's Better Returns Programme[19]. A certain number of CPD hours would need to be gained each year which would count towards the farmer's BPP targets as illustrated in Figure 20 above. The farming industry is already familiar to an extent with this approach through the BASIS qualification for the use of agricultural inputs. Many other professions require CPD and it is perhaps not unreasonable that those responsible for producing the food we eat and managing much of the environment in which we live are asked to do the same. The idea of a 'Chartered Farmer' qualification has been around for some years[21]. This could help raise the status of farmers, both in the general public's perception, but also within the agricultural sector itself.

The linkages between this policy and coupled payment are fairly obvious. Perhaps an up-to-date CPD record would be desirable prior to receiving support (BPP and IVS).

It is vital however, that knowledge transfer programmes are easy to access. Unlike some other countries including the US and France, the UK has not got an explicit publicly-funded extension service. The AHDB, whilst a Non-Departmental Public Body is funded through statutory levy. A Pro-AKIS[22] report (agricultural knowledge and information service) published in 2014 reported that in the UK *'public policy on agricultural advice is fragmented, with no overarching national policy'*. It pointed out that the advisory system for the UK was increasingly separated between devolved countries, partly because of advice policy but also agricultural policy differences. The report also concluded that commercial advice was good but very often farmers most in need of advice do not access it.

There are examples in the UK of advice and knowledge transfer networks currently funded under the CAP. For example, Farming Connect[23] in Wales and the Farm Advisory Service[24] in Scotland. A new UK farm policy could build-on and expand these examples to provide an easily accessible source of advice. This could cover areas such as improved grassland management, better budgeting and cash flow management, use of new technologies etc.

5.2.4 Retirement Schemes / Young Farmers

'Generational renewal' is a favourite topic for discussion in the farming industry. The statistic that the average (median) age of farmers is 59[25] is one of the most widely-quoted in the sector. *It should be pointed-out here that the person filling out the Census form (and giving their age) may not actually be the one making the decisions on the farm however.*

The belief is that older farmers will be more 'set in their ways' and less willing and able to take risks and adopt new practices. It must be pointed out that this is a broad generalisation and there are many older farmers who are among the best and most forward thinking in their sectors. Given that caveat, there is evidence that willingness to embrace change on average declines as somebody becomes older. The Farm Practices survey referred to in the previous section showed that as the age of the youngest person involved in the business increases, there is less desire to know about management techniques.

An OECD study in 2013[26] analysed characteristics of high and low performing farms across nine countries. One of the main findings was the importance of removing 'impediments to structural adjustment' and implementing measures to facilitate adjustment, including regulations and taxations to facilitate land transfer. Turning the obstacles restricting structural reform into opportunities such as agricultural tax reliefs and barriers to land sales. Policies should be implemented that help the transfer of resources (notably land) to younger and more productive farmers. There is unlikely to be a single measure that will facilitate this. A package of policies is likely to be required.

Generational renewal has been supported under the CAP for many years. Two, complimentary approaches have been adopted. One is to provide set-up and ongoing financial support to young farmers and the other is retirement schemes to incentivise exit for older farmers. In the 2007 to 2013 period, 24 Member States included activities on the setting up of young farmers within their national Rural Development Plans while 16 Member States included measures relating to early retirement[27]. Early Retirement Schemes (ERSs) typically operated by offering incentives for farmers aged between 55 and 66 to transfer their farms to qualified young farmers by providing them with an annual fixed-term pension. They were most popular in France, Ireland and Greece.

Given the apparent popularity of generational renewal in the UK and elsewhere, one would expect this topic to be addressed within a future UK agricultural policy. That said, the design of any scheme needs to be carefully worked-through. There is evidence from past programmes that both retirement schemes and new entrant schemes can end up funding changes that would have occurred anyway. However, a financial incentive may not need to be at a high level to 'nudge' older farmers to consider succession issues.

Other measures should be introduced to be complimentary to any retirement scheme;

- Rural Housing – farmers are rooted in their communities and will be unwilling to give up farming if it means having to move elsewhere. One of the biggest impediments to farmers giving up their holdings is that they have no alternative accommodation to move to in the locality. This is especially true of tenant farmers. Relaxation of the planning laws in certain circumstances and the promotion of social housing in rural areas could help solve this problem.
- Joint Ventures and Matching Service – joint ventures in farming covers a vast range of arrangements from tenancies, through contract and share farming to business partnerships. Often there is a focus simply on the transfer of land ownership. Other mechanisms are not well known or misunderstood. Even if an older farmer wishes to enter into a venture with a younger person, they may not know how to go about it, or even how to find that person. A matching and advice service could help address these market failures.
- Taxation policies – these should be examined so that there are no disincentives to transfer the farm to a younger generation.

It may be worth promoting different models of farming. In the UK, part-time farming has generally not been prevalent and is seen, in some way, as inferior to 'proper' full-time farming. Generally, in the livestock sector, the minimum scale

tends to be the number of animals that one full-time person can manage. At sizes below this, by definition, some of that person's time will be spare or not used productively on the farm. Smaller enterprise sizes can be accommodated through part-time farming with the spare time being used to supplement the farm income.

*One final point is that someone who seeks a successful retailing career does not necessarily aspire to own Tesco. There is a presumption that, to be a farmer, one must own, or at least have a tenancy over, farmland. There could be greater emphasis (and perhaps development of structures) that allows young people to be successful **managers** of farming businesses without necessarily having to own or rent the land involved.*

5.2.5 Productivity Policy Interventions – Benefits Summary

The key benefits of the aforementioned policy interventions are summarised below and show the potential benefits to consumers, producers, the supply-chain and UK society as a result.

Figure 26 - Productivity Policy Interventions – Benefits Overview

Benefits For	Productivity Support		Knowledge Transfer and Technology	Retirement Schemes
	Best practice (BPP)	Income Volatility (IVS)		
Consumers	Focus on high-quality produce.	Lower prices during over-supply.	Better quality, competitively-priced products.	N/A
Producers	Support to invest in performance improvement. Supported to produce what the market wants.	Simple to claim. Improves market-orientation. Considers cost of production.	Improved performance via efficiency, lower costs & less waste. Improved skills bring growth opportunities. Reduced regulatory burden.	New entrants bring new ideas. Greater lifestyle flexibility. Greater growth opportunities.
Supply-Chain	Better quality produce.	Safeguards supply. Focus on market signals.	Better efficiency. Market needs better understood.	More agile farmers, better able to meet market needs. Security of supply.
UK Society	Adherence to production, animal welfare and environmental standards. Farmers receive a fair price for quality produce.	Less reliance on imports from volatile regions. Not competing with key importers (e.g. China) Limited exchequer cost. Easy to administer.	Reduced impact on environment. Lower costs (e.g. waste, safety issues etc.) More innovation.	Retention of farming skills in long-term. More uptake of environmentally friendly & productive practices.

Source: ABP

6. Quality

6.1 CURRENT SITUATION AND KEY TRENDS

6.1.1 Food Quality

A study[28] in 2014 ranked food safety in a number of developed (OECD-member) countries based on the ten food safety metrics. Figure 27 shows the results which puts the UK at number four in the table and in the top tier of countries.

Figure 27 - World Ranking of Food Safety Performance (2014) – Top-10 Countries

Country	Mean Score	Tier
Canada	2.6	1
Ireland	2.6	1
France	2.4	1
United Kingdom	2.33	1
Norway	2.33	1
United States	2.3	1
Japan	2.22	2
Netherlands	2.2	2
Finland	2.2	2
Denmark	2.2	2

Source: Conference Board of Canada

The Economist Intelligence Unit[29] also maintains an index of food security. Within this there is a section on quality and safety. Within this the UK ranks 21st out of 113 countries as at October 2017. The food safety indices are actually better than this, but the UK's score is reduced due to the relatively poor quality of the diet in this country.

Lastly, Oxfam does a food system ranking[30] where overall the UK comes 13th out of 125 countries. Although there is a measure for 'food quality' the data set used is limited. However, it is clear that the UK food system largely delivers safe and good-quality food to consumers.

It is vital that any future policy encourages UK farmers to uphold the strongest quality standards possible, particularly in the meat sector. As set out in Section 5.1.2, the UK is not the lowest-cost producer of beef in the world. Even if efficiency gains are possible (which they are), the fundamentals of the UK industry make it unlikely that our industry will be able to compete solely on price. The competitive advantage will be in other areas such as safety, traceability,

convenience, eating quality, the way the product is produced and the extent to which the potential of technology is embraced (many of these are covered later).

6.1.2 Market Planning

The global and national food market is constantly evolving. Just two examples from the UK are the growth in ready meals and the huge expansion of the range of cuisines seen in the last 20 years. Farmers may believe that responding to changes in the food market is not within their remit – it is the responsibility of retailers and food manufacturers to understand and respond to consumers' needs.

This attitude reflects a 'production-led' bias in agriculture. The default of many farming businesses is to produce an agricultural output (e.g. a finished beef animal), probably using exactly the same systems and criteria as in previous years, and then try and maximise the sale value. In most other industries, the focus is on finding out what the customer wants, and then supplying it as efficiently and effectively as possible. In the case of farming the 'customer' is not necessarily the end consumer, but might well be the processor who, in turn, tries to meet the requirements of *its* customers.

For UK farming it can be argued that there are two main issues preventing engagement with the end market. First is the length of the food chain with numerous intermediary steps. This means that 'messages' from the market are severely diluted by the time they get to farm level. Secondly, the most powerful vehicle for delivering messages through the supply chain is price. There is a strong case that, in some sectors, insufficient price differentiation exists between produce that fully meets market specifications against that which is merely adequate. Therefore, there is little financial incentive for farmers to find out and deliver what the market needs.

There is little or no statistical evidence to show whether UK farming is any worse than other countries in responding to market needs. Anecdotally, some countries, such as New Zealand, appear more adept at considering consumers' needs. This makes them more market oriented and helps them to think critically about how their operations contribute to addressing consumers' needs as well as ascertaining whether new initiatives are commercially viable. It is probable that this is, at least partly, a function of the lack of farm support in the country – without subsidy to boost farm incomes there is more emphasis in maximising returns from the market.

However, there are examples where, by working together, a whole supply chain has achieved significant gains. The Irish Government published a strategy in 2010 called 'Food Harvest 2020'[31] setting out ambitious targets for the whole agri-food sector. This included increasing milk production by 50%, adding 20% to the value of the beef sector, improving the value-added in the Irish food sector and raising research and development. Many of the goals in the strategy are on-target or already have been met. Whilst some of those have been achieved by default, e.g. output has risen above target due to global price trends as opposed to initiatives undertaken when implementing the strategy, there is a strong consensus amongst industry experts that the strategy proved to be very worthwhile and the follow-up 'Food Wise 2025' strategy[32] has addressed any major shortcomings on how targets were set. Such initiatives have also taken place in other countries and provide useful templates for the UK farming industry to build-upon.

6.1.3 Technology

Advances in technology are producing a range of new tools to help animal breeders, including the beef sector. This is especially true of genomics and offers the prospect of a 'step-change' in genetic improvement. However, the use of such technology must, firstly, be in line with consumer and public desires and not harm the image of the sector, and secondly have defined and measurable goals.

A recent report from the AHDB[33] found the annual benefit to the UK beef sector from genetic improvement was £4.9m, but that the gains were significantly below their potential. Areas highlighted for improvement within the report include;

- An education and extension programme underpinned by demonstration farms to illustrate the impact that genetic improvement has on profitability of commercial farms.
- A change in the way that sires are marketed, with an increase in on-farm sales (as distinct from auctions) of rams and bulls. This needs to be combined with the better use of information on genetic improvement as the report states 'that visually-observed characteristics of animals are attributed comparable importance to objective measures' (i.e. whether a bull looks 'right' is still given greater weight than its genetic merit)

- Better commercial data (via progeny testing) captured using systems with very good quality control and accurate identification of animals using EID. The report states that collaboration with meat processors and encouragement of information sharing for genetic improvement purposes should open opportunities for improvements of eating quality and some disease traits.
- The development of a centralised multi-species database.

A DEFRA report[34] on how beef genetics can improve farm profitability found that even where new technology and approaches are known to help increase production efficiency at farm level, the overall level of adoption is often low in the UK beef sector. Due to the fragmented nature of the beef supply chain, commercial data is not reliably linked to genetic estimation (breeding) data. Where recording is undertaken, it is often done by breed societies with incompatible systems and with only a limited number of participants. The report estimates that less than 15% of UK beef are involved in performance recording. This compares with the dairy-farming sector where the comparable figure is nearer to 50%.

The Republic of Ireland has a credible organisation in the Irish Cattle Breeding Federation[35] (a Government/industry initiative) which harnesses the value of linking various datasets for cattle (beef and dairy), and by coordinating a genetic/Knowledge Transfer (KT) programme for beef producers.

6.1.4 Consumer Perceptions

Efforts have been made to differentiate the product in the beef market. The DEFRA report referred to in the previous section highlights a number of retailer initiatives, often based on native breeds. More generally, there has also been attempts to create a premium brand around pasture-fed livestock[36]. This activity might be termed 'commodity premiumisation' – finding a way to sell significant quantities of product at a higher price. This would differentiate it from the local farm-shop type initiatives which are likely to only benefit a single producer or a small group of farmers. The goal might be to replicate something like the success of the free-range egg sector.

There is undoubtedly great scope to increase grass utilisation efficiency in UK farming. Figure 28 below takes the grassland areas in England and Wales (from the 2016 June Survey), and multiplies them by the theoretical number of livestock units they should be able to carry. As the 'carrying capacity' of land is somewhat arbitrary, both a lower and higher estimate are provided. Even when a relatively low figure for the number of animals that can be stocked is used, it can be seen the theoretical figure exceeds the actual amount of stock from the Census figures. Whilst a simplistic analysis, this does demonstrate that the use of grassland in England and Wales is considerably below the optimal level.

Figure 28 - Grassland Carrying Capacity

	E & W Area '000 Ha	Higher Estimate		Lower Estimate	
		LU/Ha	Total	LU/Ha	Total
Temporary Grass	784	2.00	1,568	1.70	1,333
Permanent Pasture	4,350	1.50	6,525	1.20	5,220
Rough Grazing	1,316	0.25	329	0.15	197
Total Potential Livestock Units			8,422		6,750
Actual Livestock Units			6,107		6,107

Source: Andersons Calculations

According to HCC figures[37] weight of beef animals gained at grass generally costs 25% to 33% of weight gained on housed diets. Thus, costs of production can be significantly reduced. Good grassland management can increase liveweight gains at grass from 0.6kg per head per day (common in many beef systems) to at least 1.0kg per head per day.

Results from the Irish Better Farm Programme[38] have seen participants' beef gross margins increase by 52% since they joined the programme, with technical efficiencies delivering 83% of this improvement. A large part of the gain has come through better grass utilisation reducing the need for feed concentrates.

The efficient use of pasture also leads on to a wider point around the efficient use of resources. Much of the conversation around red meat and the environment is how resource-intensive meat production is. A widely-quoted figure is that it takes 7kg of grain to produce 1kg of beef. This sort of 'fact' is easy to remember and becomes lodged in the public consciousness. It is then not easy to give a more balanced view – this level of resource only applies to feedlot-type systems and grass-fed beef actually has very strong environmental credentials.

The Irish farming industry is already looking to address some of these challenges and messages through its Origin Green[39] programme to illustrate sustainability throughout the food supply chain. This works on the premise that it is not only good enough to demonstrate that existing systems are environmentally sound, but that the industry is also continually striving to make them better.

It must also be considered that some land is only suited to growing grass and that raising livestock in accordance with good farming practice is by far the most effective way to manage such landscapes (an important feature of the British countryside) whilst being the only economically viable means to convert grass into protein to help with the task of feeding a growing population.

6.2 PROPOSED POLICY INTERVENTIONS

6.2.1 Market Strategy Plan for UK Agriculture

As alluded to above, the UK agricultural sector currently lacks a long-term strategic vision, particularly with regards to marketing. ABP acknowledges and welcomes that DEFRA is currently developing a 25-year environment plan for the industry. ABP believes that such a vision needs to be closely integrated with a clear marketing strategy for the agricultural industry that spans the short, medium and longer term. In Chapter 4, ABP has set-out its top-level proposals on what such a vision should encompass but this should be seen as a basis for further discussions with other stakeholders. The aforementioned 'Food Harvest 2020' and 'Food Wise 2025' strategic plans for Ireland would constitute a useful starting template for the UK and DEFRA should also draw upon examples from elsewhere (e.g. Canada, New Zealand and Australia). Quality should be a core theme of this strategy as it is a major selling point for UK farming both at home and abroad. Similar to the Food Harvest 2020, the UK plan should include tangible goals for the beef and sheep meat sector which are ambitious, yet attainable (e.g. adding 20% to the value of the beef sector), whilst being aligned with other key principles of a UK policy framework (e.g. environment, productivity, animal welfare etc.) as set out in this document. Such a plan requires involvement and buy-in from all key industry stakeholders as well as input from strategy planning experts from outside the industry.

6.2.2 Food Safety and Quality

Food safety and animal welfare is controlled by extensive legislation. It should be clear that there should be no weakening of the legislative requirements in the UK after Brexit. Quality will be one of the unique selling points of British produce when it comes to developing existing and new markets.

There may be scope to build on the existing high standards to provide even more product differentiation. For example, the Australian beef sector provides full lifetime traceability[40] throughout the supply chain from individual animals to the shop shelf. In the UK, much of the information to do this already exists (e.g. BCMS) but is not linked up. Some 'seed money' from government sources could help facilitate this.

The efficient use of resources can also be used for marketing purposes. This might comprise two strands. The first would be a public marketing/education programme to highlight the environmental credentials of the UK beef industry. This could be linked with the DNA testing of animals to provide a more complete traceability system

that offers consumers the opportunity to learn more about the meat they consume (e.g. carbon footprint) so that they can make more informed purchasing choices. The second, complimentary, strand would be an industry-wide programme, similar to Origin Green, to move the sector forwards in terms resource efficiency. This would reinforce the messages to the public by demonstrating the improvements being made to sustainably supply quality produce.

6.2.3 Farmer CPD

Farmers in isolation cannot solve all the issues in the food supply chain. The Irish Food Harvest 2020 initiative has worked because all the players involved (including Government, Supply Trade, Processors, Exporters, Researchers etc.) were involved in setting its goals and implementing them. This collaborative approach is something that the UK food chain still lacks. Contracts are short-term, and relationships are often adversarial rather than cooperative. Changing mindsets is not easy. However, future farm support in the UK should include initiatives to promote shorter, more transparent and more cooperative food chains.

At the farm level, there are again, linkages through into the farmer CPD scheme. It is unlikely that farmers will produce what the market requires if they lack information in this area. A 'module' of the CPD requirement could be participation in initiatives to help them to get a greater understanding of what is driving consumer behaviour and to help them to identify how they can better contribute to consumers' needs. This might include conferences, farm walks, visits to processors, work placements for young farmers in training etc. Linking to the previous section, the CPD programme would also look at the issue of resource efficiency and particularly the use of grass.

6.2.4 Genetics Schemes

A post-Brexit farm policy should look at the potential for a wide-ranging scheme to improve genetic improvement in the beef herd. This needs to be an industry-wide initiative so it links right through to improve aspects such as eating quality and does not simply focus on 'production' aspects of genetics such as growth rates.

Examples of farm schemes are already seen in Ireland (Beef Data and Genomics Programme[41]) and in Scotland (the Beef Efficiencies Scheme[42]). Both of these have a focus on herd recording and animal genotyping. However, these schemes are voluntary and exist as an 'add-on' to current support structures like the Basic Payment. To achieve real industry-level change they need to be rolled-out on a much wider basis and be far more integrated into the whole support architecture (i.e. part of a BPP scheme).

The cost of introducing these measures would not necessarily be large. There are innovative approaches to collecting genetic data. For example, at present Tissue Sampling Tags are automatically used to collect samples for BVD testing. There is no reason why this approach could not be extended to other uses of the genetic data.

Furthermore, there is also potential in leveraging animal health and genetics data through the use of micro-chipping (electronic tagging). For example, medication given to animals could be efficiently recorded and uploaded onto a cloud-based system on a real-time basis. This system could incorporate blockchain technology[43] which could also be used to store DNA information, as outlined above, to provide more robust traceability throughout the food chain. Such systems would ease the administrative burden and the data could then be used elsewhere (and with the farmer's permission) to help demonstrate sustainability and adherence to quality standards. Similar initiatives could also ease the burden with respect to meeting cross-compliance and the time saved could be focused on improving productivity elsewhere.

Cloud-based datasets would also enable more effective collaborations with leading-edge technology companies outside the agri-food industry to foster new innovations to drive productivity even further. The UK Government has already invested significant sums in Agri-Tech so many of the ingredients for the development of new 'hybrid' industrial clusters are already available and now need to be aligned within an overarching strategy and implementation plan so that all stakeholders benefit.

6.2.5 Consumer Policy Interventions – Benefits Summary

Figure 29 - Productivity Policy Interventions – Benefits Overview

Benefits For	Market Strategy Plan	Food Safety and Quality	Farmer CPD	Genetics Schemes
Consumers	Better quality, locally sourced UK food.	Quality meat produced ethically and sustainably through reduced food miles and greater provenance.	Better value for money via improved quality and efficiency.	Improved end-products including dietary benefits.
Producers	Gain new markets, particularly for value added produced, thus supporting prices and incomes.	Assurance that all producers adhere to the same standards. Better quality improves prices.	Greater farm management, operations & marketing skills. Better planning and risk management.	Better quality output produced more efficiently. Lower mortality and disease issues. Reduced administrative burden via micro-chipping.
Supply-Chain	Better alignment, greater security of supply and operational certainty. Reduce perception of 'adversarial' approach to dealing with farmers and other partners.	Quality produce which meets stringent safety standards. Greater differentiation on UK and international markets. Better use of existing data and resources.	Producers better equipped to meet specifications. Greater uptake of technology, more efficiency. Improved collaboration upstream and downstream.	Better quality assurance (i.e. Lifetime Assurance) via improved animal health, more robust recording etc. Better product consistency.
UK Society	Greater contribution of agri-food to the economy. More employment. Better resource use and less waste.	More sustainable production. Better use of resources (databases etc.).	Greater innovation. Sustainably competitive farming industry. Fewer distressed businesses, reduced exchequer burden.	Reduced environmental footprint (waste, GHGs, water etc.). More robust food production system.

Source: ABP

7. Rural Economy

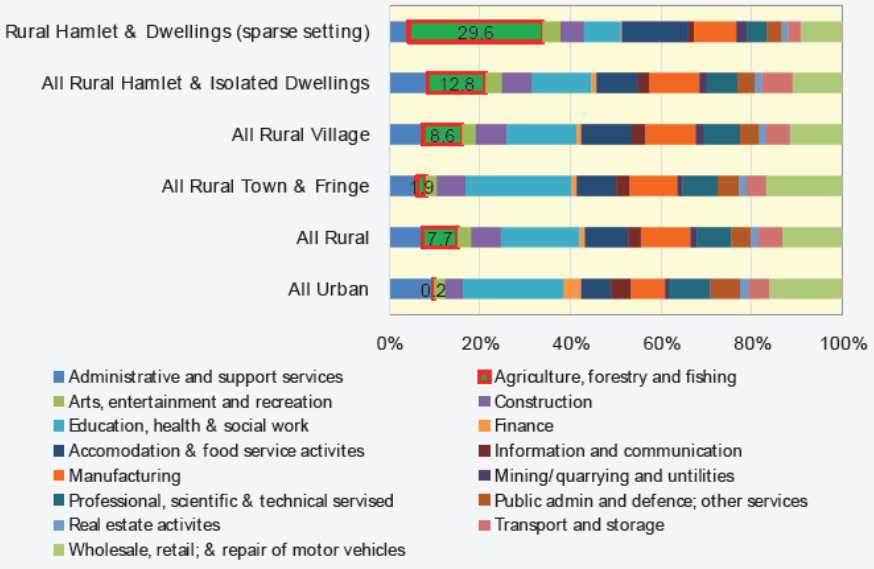
7.1 CURRENT SITUATION AND KEY TRENDS

7.1.1 Agriculture's Place

Over the years, the CAP has played a pivotal role in supporting farmers' incomes and, through Rural Development initiatives, it has also supported the rural economy. With a move to a domestic agricultural policy there is an opportunity to rethink support.

Figure 4 above showed some regional statistics for the importance of farming within the economy. This illustrated that, on average, it contributes a relatively small part of GVA and also employment. However, this misses the point that farming becomes far more important in more remote and 'rural' areas. Figure 30 below outlines agriculture's share of total employment in England, but broken down into certain types of area. This clearly illustrates the ongoing importance of farming to the economy of rural areas. It should also be noted that much of the economic activity in other sectors of the economy in rural areas will be linked to the agricultural industry.

Figure 30 - Percentage of People Employed by Sectors and Rural-Urban Classification – 2015/16



Source: DEFRA

There can be a strong perception, especially among urban-based policy-makers, that because the countryside looks pretty and attractive it will not have the problems of the more 'gritty' urban environment. However, like all parts of the country, the countryside has pockets of deprivation as well as areas of great wealth. The Government collects a large amount of data to compare urban and rural areas[44]. Some measures are summarised in Figure 31 below.

These show a mixed picture. The countryside, in general, tends to have an older population, but it is healthier – having a longer life-expectancy. Whilst the employment rate is higher, earnings are less. Transport, unsurprisingly, is more a problem in rural areas with a greater cost being incurred and people living there having less access to services. In terms of electronic communications, full broadband access remains an issue and there is evidence that the UK is lagging other European countries for broadband access generally[45]. For the poorest segment of the population housing costs are a real issue – with wages generally lower, but house prices higher, affordability of accommodation is worse in rural areas. Because of the type of housing and generally higher cost of fuels in rural areas, fuel poverty is also higher. Educational attainment is higher in rural areas despite the quality of secondary schools not being as good. Crime is lower than in urban areas.

It should also be remembered that these are averages for the entire rural and urban classifications in England. They will therefore hide a huge disparity within them.

Figure 31 - Comparison of Rural versus Urban Areas in England (2014 unless stated)

Key Performance Indicator		Rural	Urban
Percentage of Population		17%	83%
Average Age (Years)		44.1	38.7
Percentage of Population over 45		53.5%	40.7%
Male / Female Life Expectancy		80.4 / 83.8	78.9 / 82.8
Employment Rate		77.2%	73.2%
Median Earnings (2013)		£19,900	£24,500
Proportion of Home-Workers		22%	12%
Weekly Transport Costs		£91.20	£64.60
Percentage of Population with 'Reasonable Access' to Services[1]	via Walking / Public Transport	48	61
	via Car	69	75
Average Broadband Speed Mbits/s		13	26
House Affordability for the Bottom Quartile[2]		8.3	7.0
Percentage of Households in Fuel Poverty		12%	10%
Percentage of Pupils getting 5 or More A* to C Grades in GCSE		69.6%	66.0%
Percentage of Secondary Schools Rated as 'Outstanding'		18%	24%
Violent Crimes against the Person per '000 of Population		7.2	12.3
Burglaries per '000 Population		4.8	12.8

Source: DEFRA / ONS [1]includes medical services, town centres, shops schools and employment
[2]ratio of lower quartile house prices to lower quartile earnings – Urban figure excludes London.

7.2 PROPOSED POLICY INTERVENTIONS

7.2.1 Rural Broadband

A report published in 2013[46] found that, for every £1 of Government money invested in Broadband, there was a £20 net economic return. This is an unusually high return on investment. The benefit mainly comes from the improvement in productivity of broadband-using firms. However, there are also significant benefits from safeguarding employment in areas which would otherwise be at an unfair disadvantage, from productivity-enhancing time-savings for teleworkers, access to e-commerce, costs savings, and from increased participation in the labour force. Other studies support the economic benefits of broadband[47]

But Broadband is a 'general purpose technology' that is likely to have social and environmental impacts as well as economic effects. Educational and government institutions can use high speed internet for scholastic and vocational training thus building a competent and competitive workforce. Medical providers require high-speed connections to supply telehealth which can immensely improve health care in rural areas. The simple fact of having connectivity makes many rural communities and individuals feel less isolated and more involved in the wider world.

At the farm level, fast and reliable broadband is a key enabler for farm productivity, especially as the uptake of smart technologies and precision farming techniques become mainstream. Good internet access will also be important to facilitate blended learning and allow farmers to undertake online training and CPD as part of the other policy prescriptions outlined in this report.

Many rural and remote areas are without sufficient bandwidth to operate fully and effectively in the modern world. The gap between areas with and without sufficient bandwidth is known as the 'digital divide'. Whilst this was once a problem of access, internet proliferation in recent years has now made it more an issue of connection quality and speed. The figures for average broadband speed in rural and urban areas were given in Figure 31. Figure 32 below splits this down further into types of rural areas. Not surprisingly, the more rural the area, the wider the digital divide.

Figure 32 - Average Broadband Speeds England (2014)

Location	Mbits/s
Urban Overall	26
Rural Overall	13
Rural Town and Fringe	17
Rural Town and Fringe in a Sparse Setting	16
Rural Village	9
Rural Village in a Sparse Setting	8
Rural Hamlet and Isolated Dwellings	7
Rural Hamlet and Isolated Dwellings in a Sparse Setting	5

Source: DEFRA

Whilst these figures are for 2014 and technology will have moved on, as evidenced by an Ofcom report published in April 2017[48], it is not clear that the divide will have been narrowed. In fact, it may be the case the speeds have improved faster in urban areas (superfast broadband and fibre connections) than in rural areas.

The Government is aware of the issues and Broadband Delivery UK (BDUK), part of the Department for Culture, Media and Sport, is tasked with delivering superfast broadband and better mobile connectivity to the nation. Superfast broadband is defined by the European Union as speeds of 24Mbps or above. The UK government has a target to provide this to 95% of the UK population by the end of 2017. It states it is on target to meet this target. In addition, further funds have been released to extend delivery, with 600,000 more premises expected to benefit by 2020. The main vehicle for promotion of broadband has been the Superfast Broadband Programme which has invested up to £1.7bn in extending provision. It should be noted that whilst the 95% target looks set to be reached, the 5% without fast broadband will almost all be in rural areas and comprise a significant proportion of the rural population.

A new UK Digital Strategy[49] was launched in March 2017. This sets out a new Universal Service Obligation (USO), which would ensure everyone in Britain has a legal right to request minimum speeds of 10Mbps by 2020. However, this is hedged with a 'reasonable cost' proviso. The precise details of the USO is not yet known. Also, 10Mbps is currently well below the average UK broadband speed. A report by Cisco[50] puts average speeds in the UK in 2016 at close to 30 Mbps. It forecasts that the average speed will rise to 60 Mbps by 2021. If this is correct, the USO will only be delivering speeds a fraction of the average.

It is therefore clear that the UK needs to kick-start the roll-out of broadband connectivity across rural areas. Government funding under any farm and rural policy should continue to prioritise the roll-out of ever-faster broadband in (remote) rural areas.

7.2.2 Fiscal Support for Farming Families

Identifying ways to promote living in rural communities and helping to ensure that the family farm is viable in the long-term should also be a focus area. Such initiatives could include tax incentives for working in adjacent industries (e.g. food processing) or widening agricultural restriction clauses for residing in rural dwellings to include close relatives of farmers who may no longer be employed in industries directly related to agriculture. This should also be linked with allowing retiring farmers (see Section 5.2.4) to live in dwellings which traditionally have had agricultural restrictions. This is because one of the key reasons for older farmers not retiring is because of the uncertainties associated with securing a suitable dwelling post-retirement which enables them to continue their current rural lifestyle.

7.2.3 Rural Economy - Policy Interventions - Benefits Summary

Figure 33 - Productivity Policy Interventions – Benefits Overview

Benefits For	Rural Broadband	Fiscal Support for Farming Families
Consumers	Faster information exchange gives better supply-demand balance, reduces price spikes.	N/A
Producers	Enhanced productivity. Greater access to automated systems. Better access to online training etc.	Safeguards farmers' incomes and permits farming families to continue to work within their communities. Assists transfer of assets to relatives.
Supply-Chain	Greater information exchange allows operations to be optimised. Communicate more easily with producers.	Enhances 'local labour' pool.
UK Society	Greater return-on-investment from rural initiatives. Safeguard rural employment. Helps rural economic growth, closes 'digital divide'. Reduces GHG emissions.	More vibrant rural communities.

Source: ABP

8. Trade and Market Access

It must be emphasised that the primary focus of this document is on future UK agricultural policy, and therefore, its coverage of trade issues has intentionally been limited. That said, trade is of paramount importance for farming and whilst future trade policy may be decided elsewhere (i.e. outside of DEFRA), it is vital that both agricultural and trade policy are aligned. In this context, ABP has set-out some high-level perspectives on trade which it asks the UK Government to consider when setting the future agricultural policy as it believes that there are specific areas in which DEFRA can be highly influential.

8.1 CURRENT SITUATION AND KEY TRENDS

Figure 34 sets-out UK beef and sheep meat production, trade and consumption in 2016 based on data from a variety of sources. It shows that domestic UK production is valued at around £4.8 billion, with beef (£3.4 billion) accounting for over 70% of this total. Beef exports (£445 million) accounts for 13% of UK production whilst for sheep meat export markets are even more important with a 24% share.

Figure 34 - UK Beef and Sheep Meat Estimated Output and Trade (Edible meat only) – 2016

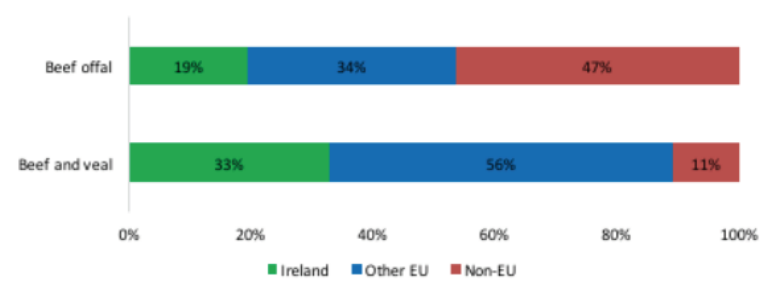
	Beef (including edible offal) (£m)	Sheep meat (including edible offal) (£m)	Total beef and sheep meat (£m)
Domestic production	**3,427.5**	**1,381.2**	**4,808.7**
Imports	**1,260.1**	**366.3**	**1,626.4**
- EU	1,062.9	38.5	1,101.4
- Non-EU	197.2	327.8	525.0
Exports	**445.5**	**336.9**	**782.4**
- EU	388.2	325.1	713.3
- Non-EU	57.2	11.8	69.0
UK consumption	**4,242.1**	**1,410.6**	**5,652.8**

Sources: The Andersons Centre, AHDB, HMRC and DEFRA[12]

These data highlight the importance of export markets generally and whilst the EU may currently account for the majority of exports, the role of non-EU markets is also critical, particularly for parts of the carcase (e.g. offal) which the UK market does not consume in significant quantities. To illustrate this, Figure 35 illustrates by comparing how UK beef and beef offal exports are segmented (in terms of volume) by export destination and shows that Non-EU markets account for nearly half of beef offal exports. This is particularly important from a carcase balancing perspective, because if beef processors cannot find markets for these lower margin products, they would need to be diverted to pet-food (for a much lower price) or to waste (at a cost). This would alter the overall value of a carcase and would have to be recovered elsewhere, either via higher prices to consumers or lower prices paid to farmers. Securing good market access for exports is therefore vital.

Figure 35 also separates out Ireland from the rest of the EU, because although coverage of Irish trade with the UK primarily focuses on imports from Ireland (valued at approximately €1.1 billion), it is also noteworthy that significant volumes of beef are exported to Ireland. Trade between Northern Ireland and the Irish Republic accounts for a significant proportion of this. ABP welcomes the Government's efforts to maintain frictionless trade between the UK and Ireland. This is critical to the efficient functioning of the beef and sheep meat sector across both countries, particularly in a Northern Irish context.

Figure 35 – Breakdown of UK Beef and Offal Exports by Geographic Market – 2016



Source: AHDB and HMRC

Whilst ABP acknowledges that there is generally limited scope for the UK to secure trade deals with other countries until the Brexit process has been completed, it is worth examining which markets the UK, and its devolved regions, currently has access to for beef in comparison with the Irish Republic. Using Northern Ireland approvals as a proxy for the UK generally, Figure 36 shows the number of countries currently approved for export (72 for beef) is relatively good and more than twice that of the ROI. However, there are some big countries that Northern Ireland currently does not have approval to export to. These include the US, the Philippines and some Middle Eastern countries which the Irish Republic has approval for. Northern Ireland also does not have approval to export to mainland China and whilst this is also the case for the Irish Republic, the general consensus within industry is that the Irish Republic will be approved for export a lot sooner. This shows that there are numerous markets which the UK could currently work on gaining access to, even whilst being a member of the EU. Furthermore, the level of access that the UK has for some markets is limited to lower value beef carcases and offal only and gives little opportunity to add value (e.g. burgers, meat preparations etc.). Accessing such markets would help greatly in terms of adding to the value of exports as well as carcase balancing. This point is examined further in the next section.

Figure 36 – A Comparison of Beef Export Market Approvals for GB, N. Ireland and the Irish Republic

N.I. Approved to Export	ROI Approved to Export
72 Countries but excludes the US, Egypt, Saudi Arabia, Israel, Indonesia and China.	34 countries but includes the US, Philippines, Saudi Arabia, Egypt, Israel and Indonesia.

Source: Sources: DAERA, UK Export Certification Partnership.

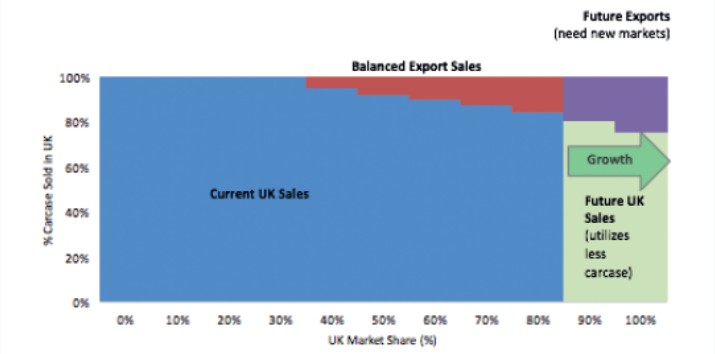
8.2 PROPOSED POLICY INTERVENTIONS

8.2.1 Develop Markets Based on High Quality Standards

As outlined in Chapter 6, the quality of produce is one of the unique selling points of British produce when it comes to developing existing and new markets. It is vitally important that these high standards are maintained and are recognised (approved) in key markets both in the EU and elsewhere. Such an approach would maximise the opportunity for British producers to capture a greater share of the high-end domestic market whilst facilitating outlets for lower-value products (but produced to a high standard) elsewhere as depicted in Figure 37. This approach

would also help to safeguard domestic producers and consumers from the import of products of questionable quality.

Figure 37 – The Importance of Carcase Balance and Exports to Growing UK Beef Output



Source: ABP

Linked with the above, ABP encourages the UK Government, particularly DEFRA and the new Department for International Trade to prioritise efforts to open-up new markets, particularly in Asia. A key aspect of this is gaining approval for UK produce to be sold in high-growth markets such as China and South-East Asia. As Ireland has demonstrated, this can be achieved under the auspices of the existing EU framework. It would also form a critical first-step to the development of a future free-trade deal with such countries once the UK is able to conclude such agreements. Achieving greater market access whilst safeguarding the domestic industry would constitute a major confidence-building step for the UK beef and sheep meat sector both at home and abroad.

Figure 38 - Trade Policy Interventions - Benefits Overview

Benefits For	Markets Based on High Quality Standards	Opening-up New Markets
Consumers	Assurance that consumers have access to the best quality of produce at all times.	Result in cheaper prices for cuts that UK consumers prefer.
Producers	Opportunity to capture greater share of high-end domestic market. UK enhances its reputation for high-quality produce which opens-up opportunities elsewhere.	More market outlets for their produce. Farm-level prices are supported.
Supply-Chain	Assurance that products are produced to the highest standards possible and that products of questionable quality do not enter the supply chain. Opportunity to develop sales in high-end export markets.	Greater choice of markets for produce. Enhanced sales revenue.
UK Society	Minimises scope for smuggling or unscrupulous behaviour. Greater contribution of agri-food to the economy. More employment.	Minimise waste and environmental issues. Greater contribution of beef and sheep sector to the wider economy.

Source: ABP

9. The Environment

In July 2017, Minister Gove set-out his vision of a "Green Brexit"[52] and to leave the environment in a better state for future generations that it is currently. ABP welcomes this initiative and the proposed interventions set-out below are aimed at being *less wasteful of natural resources*, particularly land, and at encouraging *greater value* through the encouragement of *imaginative and environmentally enriching* initiatives.

9.1 CURRENT SITUATION AND KEY TRENDS

9.1.1 Farming and the Environment

Farmland comprises almost three quarters of the UK land area. As such it is hugely important in environmental terms. It is perhaps useful to look at the environmental issues at two scales. The first is the domestic, comprising landscape protection, biodiversity, wildlife and resource protection (soils, air and water). The second is international which mainly covers the issue of climate change but can also be expanded to cover the sustainable production of food in the UK so that 'externalities' are not simply exported elsewhere in the world.

9.1.2 The UK Environment

Farming is often characterised as being in opposition to the environment – the more intensive farming becomes, the more the environment suffers. The extension of this logic is that farming should become more extensive (or cease altogether) in order for the environment to improve. In fact, this is a false understanding of the symbiotic relationship between the two. The countryside in the UK is a 'farmed environment' and has been shaped by many generations of agricultural activity. Species have evolved alongside farming and simply stopping agriculture would not reproduce a rural arcadia.

The idea that farming and the environment are mutually exclusive derives from the changes in farming practices since the end of World War 2. This involved a move away from mixed farming, a shift from spring to autumn sowing of arable crops, increased land drainage, change in grassland management (e.g. a switch from hay to silage production), increased pesticide and fertiliser use, and the removal of non-cropped features such as hedgerows. All this was in response to clear policy directives from first UK Government policy, and latterly the Common Agricultural Policy that the key goal for farming was to increase production (with the memory of wartime food shortages still uppermost in many people's minds). The broader environment was given very little consideration in this. In future, productivity needs to be considered in parallel with environmental needs and UK agricultural policy, if formulated correctly, can simultaneously improve productivity whilst enhancing the environment.

As things stand, production levels are being maintained whilst using fewer resources. Figure 10 has already illustrated that output has generally been quite static during the last decade or two whilst input use has fallen. According to the Pesticides Usage Survey[53] the average volume of pesticides used in England (on a kilograms per hectare basis) fell by 71% over the period 1990-2015. In a similar way, the British Survey of Fertiliser Practice[54] shows a 28% decline in total nitrogen use in the period 1983 to 2015. There was also a 55% reduction in overall rate for phosphate and a 44% decline for potash in the same period. Therefore, better technology and skills have enabled the UK farming industry to produce the same output with a far lower impact on the environment.

9.1.3 Emissions Reduction

UK farming needs to play its part in reducing emissions of greenhouse gasses (GHG). Agriculture contributes around 10% of total UK GHG emissions[55]. Unlike in other sectors of the economy carbon dioxide (CO_2) is not the biggest GHG. Emissions of methane (56%) and nitrous oxide (33%) dominate this sector. Methane is emitted through enteric fermentation from livestock, particularly cattle; and nitrous oxide emissions related to the use of fertilisers on agricultural soils. The CO_2 emissions are from stationary combustion sources and off-road machinery.

Between 1990 and 2015, greenhouse gas emissions from UK agriculture decreased by around 17%, with a general downward trend in emissions since the late 1990s. This has been driven by a fall in animal numbers over the period, together with a decrease in synthetic fertiliser use.

Whilst this is moving in the right direction the industry should do more to reduce emissions domestically and also needs to be careful not to outsource carbon emissions to other countries by importing more food.

Under the Climate Change Act (2008) the UK has adopted the target to reduce GHG emissions by at least 80% by 2050. The reductions are shared among the key economic sectors under a series of Carbon Budgets – currently set through to 2027. Agriculture is not included in the Emissions Trading Scheme, but is expected to play its part in reducing emissions. The Committee on Climate Change has identified a number of on-farm practices[56] that would reduce emissions. This includes adopting best practice in the following areas;

- Non-CO_2 - nutrient management, livestock breeding, livestock feeding, anaerobic digestion and manure management
- CO_2 - efficient engine technology and alternative vehicle fuels for mobile machinery, and more efficient and biomass boilers for stationary machinery

As mentioned elsewhere in this report, UK agriculture also has a part to play in feeding a growing world population. As a fertile island with a technologically advanced agriculture there is almost a moral imperative not to allow other parts of the world be responsible for feeding the UK population.

In terms of beef production, previous studies have shown that over 90% of GHG emissions are produced at the farm level[57]. Similar studies for sheep meat estimate that farm level emissions account for around 80% of GHGs[58]. In relation to other countries, previous studies suggest that the UK performs relatively well with respect to its carbon footprint from beef production. A Canadian study[59], published in 2012, compared CO_2 equivalent (CO_2e) per KG of liveweight (LW) and found that the average values from the UK conventional farming study (8.7 kg CO_2e) were significantly less than most other countries, particularly Brazil, which ranged from 14.3 kg to 22.4 kg. Emissions from US and Canadian farms were also generally higher, although significant improvements were made in some Canadian regions, with emissions halving from 1981 to 2006.

Furthermore, it is worth highlighting that cattle and livestock farming do not just concern meat production but also provides inputs into a range of ancillary industries. One of the most prominent of these is leather production and it is worth examining how CO_2 emissions from manufacturing leather shoes compare with other materials used in shoe manufacturing. A 2013 study[60] compared the environmental footprints of various types of inputs used in the manufacture of a reference pair of shoes which included a combination of materials (e.g. plastic, leather, rubber and textiles). The results are shown in Figure 39.

The results show that in comparison with other materials (e.g. textiles, plastics, paper and rubber), the CO_2 equivalent emissions from cow leather per kilogram of materials are considerably lower. Findings such as this also need to be considered when assessing the environmental impact of cattle production. Frequently, the focus is on edible beef only and the utilisation of animal by-products is ignored. However, as illustrated in Figure 39, there are other production processes, such as footwear manufacturing, where the utilisation of animal products can help to reduce carbon emissions.

Figure 39 - Environmental Footprints for one pair of reference shoes

Processes	Materials	Quantity per shoe (kg)	Footprints for one pair of shoes			CO_2 footprint per KG of materials*
			Energy (MJ)	Water (L)	CO_2 eq. (Kg)	
Textile production	Fabric & lining	0.04200	1.60238	2.50492	1.14317	27.22
Plastic production	EVA	0.02500	0.02275	0.08778	0.05302	2.12
	Laces	0.01200	0.07072	0.39338	0.06857	5.71
Cow leather production	Cow leather	0.14000	0.18194	1.18209	0.01730	0.12
Pig leather production	Pig leather	0.09300	5.91E-05	n.d.	0.00216	0.02
Chemicals production	Glue	0.17000	n.d.	n.d.	0.13456	0.79
	Solvents	0.05100	0.02488	0.08512	0.11673	2.29
Rubber production	Sole	0.37000	0.75416	2.45411	0.99134	2.68
Paper production	Paper	0.27000	12.14909	1.66733	0.79083	2.93
Transport 12 Km (incl. fuel)			2.16E-05	1.21E-04	6.33E-04	
Shoe manufacturing			3.24000	0.03600	n.d.	
Total			18.04601	8.41085	3.31833	

Source: Rivera Muñoz (2013)
* Author's calculations

The studies examined above show that although the UK may be performing relatively well in terms of GHG emissions, there is scope for significant improvement. Therefore, agricultural policy needs to be effectively leveraged to promote practices which reduce the UK's carbon footprint in accordance with its long-term targets.

9.2 PROPOSED POLICY INTERVENTIONS

9.2.1 Streamlined Cross-Compliance

Cross compliance was introduced into the Common Agricultural Policy in 2005 as a means of ensuring that farmers in receipt of direct CAP payments and some Rural Development measures complied with minimum baseline standards in relation to the environment, food safety, animal and plant health, and animal welfare. Farmers who are found to have breached cross compliance standards risk a deduction to the payments they receive.

There have been a number of studies into the effectiveness of the policy. A report by the European Court of

Auditors[61] (quite soon after its introduction) found several flaws. The objectives and the scope of cross compliance were not well defined, making it unclear what cross compliance was designed to achieve. In addition, it was too complex and enforcement and fines were inconsistent.

A further UK report[62] found that, although the system was not especially onerous to farmers in terms of cost, there was a resentment in terms of being told 'how to farm'. The result was that there was a culture of minimum compliance (i.e. do enough to avoid a fine). However, the environmental benefits are maximised by embedding the spirit as well as the letter of the rules into the sector. Not enough had been done to explain why the rules were important and beneficial.

It must be noted that in the last decade or so there seems to have been little new research on the benefits and effectiveness (or otherwise) of cross-compliance. There is an argument that the system has simply become part of the 'wallpaper' of the support system and is no longer looked at in a critical way. A new support policy offers a chance to start with a fresh approach to the system.

It is suggested that cross-compliance be retained, but more concise targets be set. These standards can be revised/ stretched over time (e.g. every 3 years) to foster a culture of continuous improvement. In recent years, a lot of attention has rightly focused on optimising resource use with respect to inputs such as fertiliser, water and energy, the efficient use of land must also become a core focus under future agricultural policy.

9.2.2 Outcomes Based Environmental Schemes

Agri-environmental schemes have been a part of the CAP since the 1980s. They pay farmers to change management practices in order to benefit the environment.

The default approach until now has been to specify what farmers should or shouldn't do under the terms of the agreement with set rates of payments for each practice. This prescriptive approach specifies how farmers should farm as opposed to focusing on the outcomes the approach wishes to achieve.

Results-based payments take a different approach. Farmers and land managers are paid for "delivering" an environmental result or outcome, for example enabling or enhancing the presence on their land of specific breeding birds, butterflies or important flowers found in grasslands. In these schemes, farmers can choose what management is required to achieve the desired result, rather than being required to carry out specific management actions.

What defines a results-based scheme is that payments are made where a specific result is indeed achieved, making a direct link between the payment and the delivery of biodiversity or other environmental results on the ground. In reality, the schemes rarely only make payments based on results as outcomes can be influenced by factors outside of farmers' control. Instead the approach often adopted is for 'hybrid' schemes. Farmers are paid partly for the successful delivery of biodiversity results and partly for adhering to defined management practices or carrying out specific actions. Sometimes a results-based payment may be offered as a top-up to payments for carrying out specific management actions.

The benefit to this approach is that land managers have the flexibility to use their skills and knowledge to achieve the outcome in the best way they see fit. Often at lower cost than a prescriptive approach. Also, an outcomes-focused approach provides more of an impetus for innovation and farmer engagement as otherwise there can be a tendency to blindly follow processes or procedures without seriously examining whether such operations can be improved upon. Outcomes-based schemes can be made to appeal to a farmers' sense of pride and responsibility.

There is a lot of interest in these policies at European level[63]. In the UK, two pilot schemes are already operating in England[64] – one in Wensleydale, North Yorkshire, and the other on the Norfolk/Suffolk borders. Should these pilots prove successful the insights gained should be incorporated into any post-Brexit agricultural policy.

The application of slurry is another area where outcome based practices would be beneficial. Each October, farmers have to meet a calendar deadline to apply slurry even though weather conditions around that time can be very unsuitable[65]. This results in several unintended consequences such as the application of slurry on wet land which gets damaged as a result, heightened potential of run-off into watercourses etc., lower utilisation of nutrients and significantly more stress for farmers. With the deployment of satellite technology such as Sentinel[66] and NASA SMAP which regularly record soil moisture levels over farmland as well as the availability of ground-level sensors at various locations throughout the UK, surely there is a more evidence-based means to achieve the same outcome? This

advanced technology could be used to identify the appropriate times to apply slurry which optimise the utilisation of resources yet significantly mitigate the unintended consequences outlined above.

9.2.3 Sustainable Production

A theme running throughout this report is that there is a need for the 'sustainable intensification' of UK farming, particularly the beef industry. This phrase has become so over-used it has almost become impossible to use without sounding trite. However, it is useful because it encapsulates two key goals for the farming industry. One is to increase production of food and agricultural goods for other uses (energy or industrial processes). At the same time, this needs to be done sustainably. Often this is only taken to be an environmental measure – i.e. what is the call on the earth's natural resources to make this production happen. However, the discussion needs to be widened to embrace economic and business sustainability as well – i.e. making a profit so that the farming activity can continue. It is clear that efficiency at a business level and the environmental level can work together – using less resources is good for costs and good for the environment. Thus 'sustainable intensification' tries to communicate the, often counter-intuitive, message that a modern, progressive, efficient farming sector can be good for the environment as well as the economy.

9.2.4 Environmental Stewardship

This scheme would operate in a similar manner to existing UK schemes (e.g. Environmental Stewardship in England, Glastir in Wales etc.) but would have more of a productivity and outcomes focus. Farmers would receive a payment (e.g. £30/Ha) if they undertake enough activities to implement environmentally friendly practices. These schemes would be funded under a structure similar to the current CAP Pillar II as applied to the UK and its devolved administrations. It would also enable farmers in less-favoured areas (LFA) or severely disadvantaged areas (SDA) to more easily qualify for payments, provided they adhere to their best practice obligations (including productivity).

This scheme could also include a 'carbon-offsetting initiative' where consumers, companies and other stakeholders could make a financial contribution towards the funding of Environmental Stewardship which would remain primarily Government-funded.

Carbon offsetting is a financial instrument where consumers, producers, companies and other organisations can reduce their respective carbon footprints by paying for the reduction of emissions elsewhere, for example through reforestation programs, renewable energy and methane collection and combustion[68]. UK agriculture offers significant potential to offset CO_2 emissions associated with livestock and meat production and these activities need to be encouraged as part of a future UK agricultural policy. Initiatives such as planting trees and hedges to reduce carbon whilst promoting biodiversity, if done correctly, can also be beneficial for animals in terms of sheltering, which in turn, can help with liveweight gain and productivity.

UK agricultural policy also needs to be ambitious in utilising all resources on-farm more effectively. For instance, encouraging anaerobic digestion of slurry in livestock farming localities. This could be done by encouraging farmers in each locality to work together to help set-up and supply a local anaerobic digestion (AD) plant or to work with existing AD plants to ensure that such plants have adequate feedstocks. For every tonne of slurry supplied to the AD plant, the farmers would get an equivalent amount of digestate which could then be used as fertiliser on the land. The key benefit of anaerobic digestion is that the process itself does not take away from the nutritional value of slurry but instead harvests the gases which can be used for electricity production instead of being wasted. To make the supply of slurry for AD viable for farmers, plants would need to be set-up within 3-5 miles of the farm. Although, it is unlikely to be viable for AD plants to be set-up in every livestock farming locality in the UK, there are many areas where such a plant would be viable. Such activities need to be encouraged in localities where it is economically and environmentally sensible to do so.

9.2.5 Environment – Policy Interventions Benefits Summary

Figure 40 - Environmental Policy Interventions – Benefits Overview

Benefits For	Streamlined Cross-Compliance	Outcomes-Based Schemes	Environmental Stewardship and Carbon-Offsetting
Consumers	Food produced in environmentally-friendly and ethical manner.	Enhanced quality and value for money.	Means to mitigate/lower their carbon footprint. Increased animal welfare.
Producers	Reduced regulatory burden. Greater focus on market signals. Improved operational efficiency.	Greater scope to innovate. Less regulation, more 'results' focus. Improved efficiency.	Lower carbon footprint. Better land preservation. Support to invest in environmental activities. Support disadvantaged areas. Aid slurry management.
Supply-Chain	Farmers more responsive to market requirements.	Encourage innovation across the supply-chain. Improves green credentials of UK produce. More agile producers.	Opportunity to offset carbon footprint whilst encouraging better production practices. Better quality animals.
UK Society	Improved environment, food safety, animal welfare and health. Reduced Exchequer burden.	Better landscapes, wildlife etc. Reduced Exchequer burden.	Mitigate the effects of climate change, better resource utilisation. Cleaner and greener countryside.

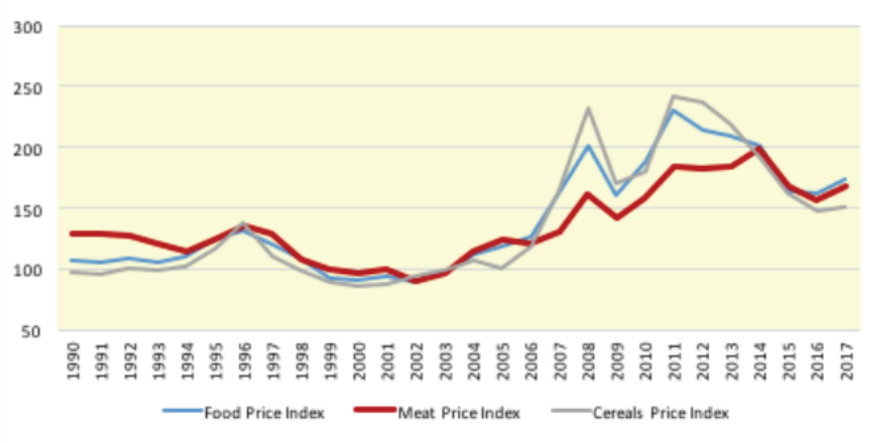
Source: ABP

10. Concluding Remarks

The UK has a once-in-a-generation opportunity to shape its agricultural policy for the coming decades. In view of the immense challenges that the world faces in terms of climate change and productivity, future farm policies need to be efficient, effective and sustainable – both in terms of the environment but also helping to ensure that farming skills remain adequate to cater for the needs of a growing population, both globally and nationally, now and into the future.

In the past, there have been instances where the UK has neglected its domestic farming industry and out-sourced its food production to other parts of the world. Such decisions have proved costly in terms of national security, particularly during times of war. More recently, as a 2015 report compiled by The Global Food Security Programme[69] points out, during 2008, food prices rose substantially (see Figure 41). It estimated that the risks to food security from extreme weather events would triple in the years ahead and that if a plausible worst-case scenario had taken place in 2016 (i.e. weather-related global production shock amplified through the responses of market actors), then the FAO food price index would have surpassed 250, substantially above the 2011 peak and nearly 50% above current levels. It also projected that if a plausible worst-case scenario were to take place in 2026, the FAO food price index would result in an even higher price spike (than 250). So, whilst adopting a cheap food policy may appear attractive in the

Figure 41 - FAO Annual Food Price Indices – 1990 to 2017 (2002-2004 = 100)



Source: FAO

short-run, price increases of the magnitude listed above would negate any such gains and would instead exert major pressure on consumer incomes, particularly amongst lower-income categories. This would seriously undermine the UK's economic performance. Amongst its recommendations, the report advised "investing in domestic production (its amount and diversity) to reduce dependency on imports" to bolster national resilience to market shocks and mitigate the extreme impacts of food price rises.

Furthermore, as a recent Chatham House report[70] points out, today's tightly interconnected global food supply chains are significantly exposed to disruptions. The UK needs to ensure that its food supply chains are sufficiently robust to deal with such shocks and a strong domestic agricultural industry should form a key pillar of such a strategy.

In September 2008, a Verdict Research survey compiled for the BBC[71] showed a 22.9% price increase for meat and fish since the start of 2008, approximately half of the projected increase in world prices outlined in the Global Food Security Programme report detailed above. Based on current consumer spending of just over £21 billion on meat and fish products[72], if a similar price increase were to take place today, it would add £4.8 billion onto consumers' bills. Applying this increase across consumer spending on food generally (£73.9 billion (excluding spending in restaurants and eating out)) would mean that consumers' food bills would rise by £16.9 billion. Clearly such increases would be unsustainable and what would happen in reality is that consumer demand and spending would decline, thus damaging the UK economy. Given that the UK's spending on defence stands at around 2% of GDP (i.e. £37 billion). When viewed in that context, spending £3 billion per annum, to achieve better food security, is surely worthwhile?

Although this document did not focus on labour market issues, it is important to emphasise that for the UK agri-food industry to survive and thrive post-Brexit, having access to an appropriately skilled and committed workforce is essential. To this end, ABP suggests that the UK Government considers setting-up an Agri-Food Workers' Scheme which would function similarly to the Agricultural Workers' Scheme set-up for Romanian and Bulgarian workers in the last decade but would also encompass the food processing sector as set-out in a recent report by The Andersons Centre[73]. For companies such as ABP, migrant labour accounts for over 60% of its workforce and whilst ABP is willing to assist in the provision of incentives for locally-based staff (e.g. training placements for young farmers), having continued access to suitably skilled migrant labour is essential.

The policies put forward by ABP reflect agriculture's contribution to the wider UK economy, the productivity challenge (i.e. doing more with less resources) and the need to ensure that UK achieves robust food security whilst its farmers compete on a level playing field with competitors. These proposals also form part of a wider vision of fostering a modern, dynamic and efficient agricultural industry which continues to play a pivotal role in a vibrant and sustainable UK rural economy during the 21st century.

Appendix 1 - Northern Ireland Suckler Beef Programme Case Study

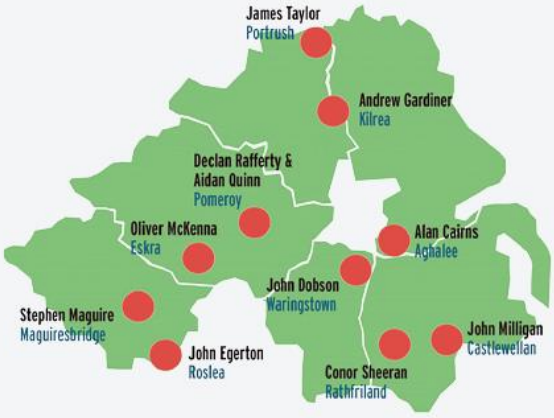
The targets set-out in this policy document are ambitious, particularly with regards to productivity. Some might question whether such targets can be achieved at a national level. To illustrate that such targets are not only achievable but can be surpassed, the results from the Better Farm Programme in Northern Ireland which were supported by ABP, CAFRE and the Irish Farmers Journal show what can be achieved when industry stakeholders are committed to better performance.

Background and Aims

The Northern Ireland Suckler Beef Programme (NISBP) was launched in 2011 and was initially designed to run for 3 years. However, owing to its success it has continued to run and is now in its 8th year. In 2016, 10 farms participated, and these are widely distributed throughout Northern Ireland (see Figure 42). Five farms joined the scheme in 2010 (Phase 1) with an additional five farms joining in 2014 (Phase 2). A further eight farms joined the scheme during 2017 (Phase 3). Accordingly, 18 farms are currently participating.

With a focus on improving technical efficiency within the farm gate, the programme aims to achieve a gross margin[i] of at least £750 per hectare for participating farms.

Figure 42 – Farms Participating in the NISBP (Phases 1 and 2) in 2016



Source: ABP/CAFRE

[i] Gross margin is income generated minus variable costs. Variable costs are those which can be attributed to level of production (e.g. meal, fertiliser, etc.). Fixed costs (e.g. buildings/machinery) are excluded.

Farm Performance

Figures 43 and 44 shows the gross margin performance of each farm since joining the scheme. In general, there have been substantial improvements in gross margins which have more than doubled in several cases. Such performances illustrate the substantial scope to improve productivity within the grazing livestock sector.

Figure 43 – Comparison of Gross Margin per hectare of Phase 1 Farms 2010-2016 (£ per hectare)

Farm	2010	2011	2012	2013	2014	2015	2016	Change (£)	Change (%)
Farm 1	£90	£512	£703	£514	£691	£773	£743	£653	726%
Farm 2	£526	£499	£821	£830	£1,086	£840	£960	£434	83%
Farm 3	£265	£495	£652	£688	£939	£920	£911	£646	244%
Farm 4	£509	£564	£793	£771	£1,088	£1,112	£1,173	£664	130%
Farm 5	£409	£603	£391	£684	£770	£948	£1,012	£603	147%
Average	**£360**	**£535**	**£672**	**£697**	**£915**	**£919**	**£960**	**£600**	**167%**

Sources: CAFRE/ABP/ Irish Farmers Journal

Figure 44 – Comparison of Gross Margin per hectare of Phase 2 Farms 2013-2016 (£ per hectare)

Farm	2013	2014	2015	2016	Change (£)	Change (%)
Farm 6	£256	£594	£792	£1,031	£775	203%
Farm 7	£693	£1,011	£793	£1,064	£371	-46%
Farm 8	£167	£520	£593	£784	£617	269%
Farm 9	£412	£502	£660	£882	£470	14%
Farm 10	£298	£349	£389	£648	£350	17%
Average	**£365**	**£595**	**£645**	**£882**	**£517**	**42%**

Sources: CAFRE/ABP/ Irish Farmers Journal

Key Benefits

- Significantly enhanced profitability: gross margins increased by £600/ha on average in Phase 1 and by £517 /ha in Phase 2.
- Increased cow numbers: average herd size has increased from 56 to 68 cows, permitting an upturn in output due to additional cattle sales and higher average weight of animals leaving farms whilst also being finished earlier.
- Improved animal performance: higher liveweight gains and improved stocking rates (from 1.67 cow equivalents (CE)/ha to 2.30 CE/ha) enabling the volume of liveweight produced per hectare farmed to increase from 598 kg/ha in 2013 to 773 kg/ha in 2016.
- Increased output per cow: up by £352 due to tighter calving patterns, improved animal health and better grassland management.
- Efficient use of farm inputs: the growth in output has been achieved whilst keeping variable costs per cow relatively steady over six years, despite the increase in cow numbers.
- Improved grassland management: grass growth has increased on all farms (supporting higher stocking rates) by focusing on soil fertility and reseeding. Silage quality has also been improved resulting in improved animal performance during winter.

Figure 45 – Overall Performance across all Participating Farms (2010 to 2016)

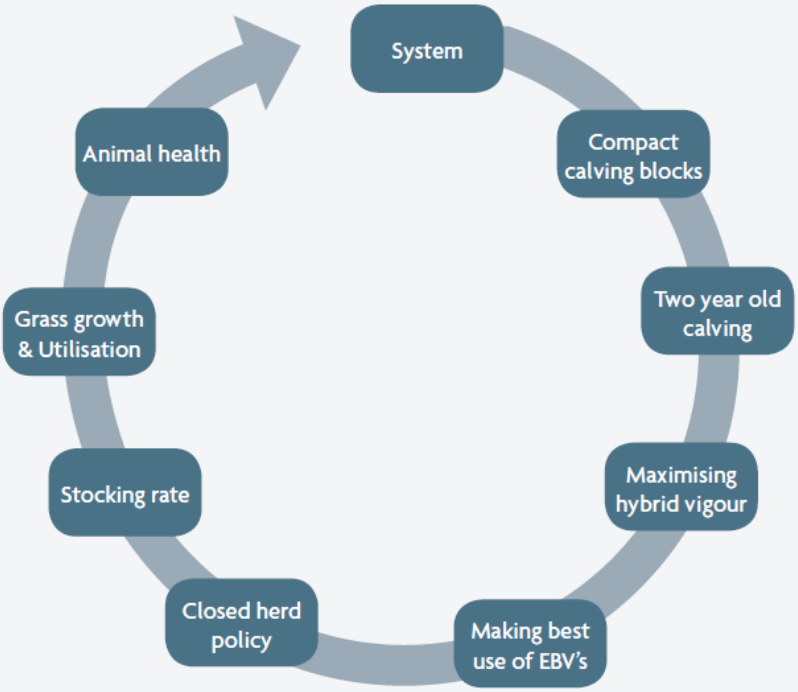
Farm	2010	2016	Change	Change (%)
Average farm size (ha)	67.4	69.3	+1.9ha	+3%
Average herd size (cows)	56	68	+12 cows	+21%
Average stocking rate (CE/ha)	1.67	2.30	+0.63	+38%
Average output/cow	£710	£1,062	+£352	+50%
Average variable cost/cow	£366	£376	+£10	+3%

Sources: CAFRE/ABP/ Irish Farmers Journal

Key Lessons

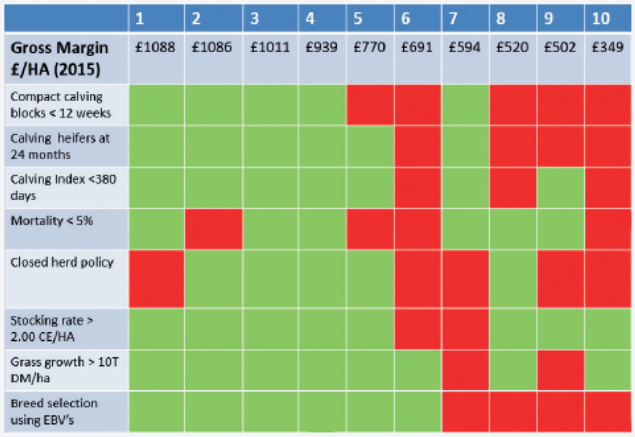
This programme has identified 9 key drivers of profitability which, if improved upon, can transform the profitability of a farm business. These are outlined in Figure 46. Stocking rates are particularly fundamental and Figure 47 shows that there is a strong correlation between profitability and stocking rate.

Figure 46 – Drivers of Profitability on NISBP Farms



Sources: CAFRE/ABP/ Irish Farmers Journal

Figure 47 – Drivers of Profitability – NISBP farms



	1	2	3	4	5	6	7	8	9	10
Gross Margin £/HA (2015)	£1088	£1086	£1011	£939	£770	£691	£594	£520	£502	£349
Compact calving blocks < 12 weeks										
Calving heifers at 24 months										
Calving Index <380 days										
Mortality < 5%										
Closed herd policy										
Stocking rate > 2.00 CE/HA										
Grass growth > 10T DM/ha										
Breed selection using EBV's										

Sources: CAFRE/ABP/ Irish Farmers Journal

Implications for beef farming generally

Overall, the participating farms have achieved substantial improvement but that has required a strong degree of commitment and focus. Whilst it is acknowledged that such improvements will not be achievable by every farm, the NISBP nonetheless shows that a significant improvement is achievable on most farms. Central to achieving this is a commitment for government agencies, industry and farming to work together for their mutual benefit. For its part, ABP is committed to continuing to work with the beef and sheep sectors to drive performance improvement for the benefit of the entire UK supply chain.

Appendix 2 - References

[1]Source: Agriculture in the UK 2016. See -

[2]From Agriculture in the UK (see Ref.1 above) and Agriculture in the English Regions - https://www.gov.uk/government/statistics/agriculture-in-the-english-regions

[3]https://www.ons.gov.uk/economy/nationalaccounts/supplyandusetables/adhocs/007234provisionalestimatesoftypeiukemploymentmultipliersandeffectsbysu114industrygroupandsectormarketgovernmentnpishreferenceyear2013

[4]See - http://beefandlamb.ahdb.org.uk/wp-content/uploads/2013/05/p_cp_eblex_balancing_the_market_final_220512.pdf

[5]See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/579402/structure-jun2016final-uk-20dec16.pdf

[6]See http://pork.ahdb.org.uk/media/39661/the_real_value_of_english_red_meat_-_an_economic_analysis.pdf

[7]See http://beefandlamb.ahdb.org.uk/wp-content/uploads/2016/07/UK-Yearbook-2016-Cattle-050716.pdf

[8]TFP data - https://www.ers.usda.gov/data-products/international-agricultural-productivity/

[9]Fuglie, et al., 2012; OECD, 2011 and Piesse & Thirtle, 2010

[10]See http://beefandlamb.ahdb.org.uk/wp-content/uploads/2016/11/Beef-Lamb-Stocktake-Report-2016-281116.pdf

[11]See: http://beefandlamb.ahdb.org.uk/wp-content/uploads/2016/11/Beef-Lamb-Stocktake-Report-2016-281116.pdf

[12]Dairy Report: https://www.gov.uk/government/statistics/dairy-farms-economic-performance-and-links-with-environmental-performance.

[13]See http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18071#RelatedDocuments

[14]See research at https://www.ofc.org.uk/sites/ofc/files/research/ofcreport2015.pdf

[15]See https://www.gov.uk/government/statistical-data-sets/structure-of-the-agricultural-industry-in-england-and-the-uk-at-june

[16]See https://www.gov.uk/government/statistical-data-sets/agriculture-in-the-united-kingdom

[17]See https://www.wlpip.ca/

[18]See https://www.gov.uk/government/statistics/farm-business-management-practices

[19]See http://beefandlamb.ahdb.org.uk/returns/

[20]See https://www.basis-reg.co.uk/

[21]See http://www.fwi.co.uk/news/plans-resurrected-for-chartered-agriculturalist-status.htm

[22]See http://www.proakis.eu/

[23]See https://businesswales.gov.wales/farmingconnect/

[24]See https://www.fas.scot/

[25]From Agriculture in the UK - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/615965/AUK-2016-25may17i.pdf

[26]The Kimura & Le Thi, 2013

[27]See http://www.europarl.europa.eu/RegData/etudes/note/join/2014/529051/IPOL-AGRI_NT(2014)529051_EN.pdf

[28]Charlebois and Yost, Food Safety Performance World Ranking: How Canada Is Doing; Charlebois and MacKay, World Ranking: 2010 Food Safety Performance - http://www.conferenceboard.ca/cfic/research/2014/foodsafety.aspx

[29]See http://foodsecurityindex.eiu.com/

[30]See http://www.oxfam.org.uk/what-we-do/good-enough-to-eat

[31]See https://www.agriculture.gov.ie/publications/2011/annualreviewandoutlookforagriculturefisheriesandfood20102011/nationaldevelopments/foodharvest2020/

[32]See https://www.agriculture.gov.ie/foodwise2025/

[33]See http://beefandlamb.ahdb.org.uk/wp-content/uploads/2014/09/74404-Review-of-the-genetic-improvement-of-beef-cattle-and-sheep-in-the-UK-Final-report-140515.pdf

[34]See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459192/fangr-beef-genetics-report.pdf

[35]See https://www.icbf.com/wp/

[36]See http://www.pastureforlife.org/

[37]See http://hccmpw.org.uk/publications/farming_industry_development/beef_management/

[38]See https://www.teagasc.ie/news--events/news/2017/phase-3-better-farm-beef.php

[39]See http://www.origingreen.ie/

[40]See https://www.mla.com.au/meat-safety-and-traceability/

[41]See https://www.agriculture.gov.ie/media/migration/farmingschemesandpayments/beefdataprogrammebdp/2017/HelpsheetBDGP190417.pdf

[42]See https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/beef-efficiency-scheme/

[43]See https://farmers.org.au/community/blog/blockchain-how-shape-farmings-future.html

[44]See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/615855/Statistical_Digest_of_Rural_England_2017_May_edition.pdf

[45]See http://www.ispreview.co.uk/index.php/2017/05/2017-eu-broadband-progress-report-puts-uk-bottom-full-fibre-cover.html

[46]See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/257006/UK_Broadband_Impact_Study_-_Impact_Report_-_Nov_2013_-_Final.pdf

[47]See http://www.whatworksgrowth.org/public/files/Policy_Reviews/15-03-10-Broadband-Full-Review.pdf

[48]See https://www.ofcom.org.uk/__data/assets/pdf_file/0015/100761/UK-home-broadband-performance,-November-2016-Technical-report.pdf

[49]See https://www.gov.uk/government/publications/uk-digital-strategy

[50]See http://www.cisco.com/c/en/us/solutions/service-provider/visual-networking-index-vni/index.html

[51]The Andersons Centre (2017), "Impact of WTO Trading on the Northern Irish Beef and Sheep Meat Industry", commissioned by the LMC. Available online via: https://www.lmcni.com/site/wp-content/uploads/2017/09/LMC-Final-Report_31_Aug_17.pdf

[52]See https://www.gov.uk/government/speeches/the-unfrozen-moment-delivering-a-green-brexit

[53]See https://secure.fera.defra.gov.uk/pusstats/surveys/

[54]See https://www.gov.uk/government/statistics/british-survey-of-fertiliser-practice-2015

[55]See https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-2015

[56]See https://www.theccc.org.uk/wp-content/uploads/2013/12/1785b-CCC_TechRep_Singles_Chap6_1.pdf

[57]http://www.beeflambnz.com/Documents/Farm/A%20greenhouse%20gas%20footprint%20study%20for%20exported%20New%20Zealand%20beef.pdf

[58]http://www.animalchange.eu/docs/stavanger2011/s07_ledgard.pdf

[59]www.mdpi.com/2071-1050/4/12/3279/pdf

[60]See http://upcommons.upc.edu/bitstream/handle/2099.1/19862/Rivera%20Munoz-%20Zayetzi.pdf?sequence=1

[61]See http://www.eca.europa.eu/Lists/ECADocuments/SR08_08/SR08_08_EN.PDF

[62]http://webarchive.nationalarchives.gov.uk/20130123162956/http:/www.defra.gov.uk/evidence/economics/foodfarm/evaluation/documents/Xceval_mar09.pdf

[63]See http://blogs.ec.europa.eu/rbaps/

[64]See https://www.gov.uk/government/publications/results-based-agri-environment-payment-scheme-rbaps-pilot-study-in-england and https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/622586/rbaps-newsletter-issue2.pdf

[65]See https://www.daera-ni.gov.uk/news/prepare-closed-spreading-period-slurry-and-farm-yard-manures

[66]See https://earth.esa.int/web/sentinel/thematic-areas/land-monitoring

[67]See https://smap.jpl.nasa.gov/

[68]See http://edepot.wur.nl/177634

[69]See https://www.foodsecurity.ac.uk/publications/extreme-weather-resilience-global-food-system.pdf

[70]https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2017-06-27-chokepoints-vulnerabilities-global-food-trade-bailey-wellesley-final.pdf

[71]See http://news.bbc.co.uk/1/hi/business/7597703.stm

[72]https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/componentsofhouseholdexpenditureuktable1

[73]See https://www.lmcni.com/site/wp-content/uploads/2017/09/LMC-Final-Report_31_Aug_17.pdf

ANONYMOUS

RESPONSE TO DAERA'S NORTHERN IRELAND FUTURE AGRICULTURAL POLICY FRAMEWORK: STAKEHOLDER ENGAGEMENT PAPER.

I would like to provide some feedback on your proposals outlined in the Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement paper, along with some wider thoughts about the future of agriculture in Northern Ireland (NI).

I should note that I have also read the Department for Environment, Food and Rural Affairs (DEFRA) Health and Harmony document and note the alignment between the proposals outlined. I would like to highlight the need for NI specific policies that take account of our reliance on the agri-food sector. It is unfortunate that because of a lack of Executive, DEFRA have had to legislate on NI's behalf. I should hope this doesn't mean NI's future policy will replicate that of England or wider GB, particularly if we end up with direct rule. The agriculture sector in NI is unique, with different foundations and priorities which need to be reflected in a unique policy for NI. It must be remembered that NI's unique selling point is its agri-food industry, which must be protected to foster and grow whilst retaining its reputation for quality.

I'd like to highlight that any plans to phase out payments and directing them to pilot scheme, should not necessarily mirror those suggested in England, again we need to ensure these pilots are specific to NI and that they are as open to as many sections of the farming community as possible. Same for any future incentivised schemes. I think it would be good governance to go out to consultation again to determine what these scheme or pilots should be. I understand that the Ulster Farmers Union (UFU) were integral in forming this consultation paper. Although I respect the UFU and their work, I must remind you that they don't represent the views of all farmers in this country. Typically, the UFU represents larger farmers who have the means to react to change and are more resilient. It is important to ensure the UFU don't disportionately influence the future of farming policy, by driving the priorities of the larger farmer, at the expense of the smaller farmer.

I would like to point out something that needs to be borne in mind when developing future agriculture policy and that is to ensure future policy doesn't disportionately discriminate against one community over the other (nationalist and unionist). Historically, farmers from a nationalist background own smaller farms, typically towards the west of the country, where land is traditionally less fertile by nature of its hilly and rocky terrain. I note the focus to move away from smaller holdings (which is likely to take generations to come to fruition, given that over 75% of farm business in NI are classed as being very small), but this is an example of how policy could disportionately discriminate against those who own smaller farms, who are typically from an nationalist background. Also on the point of smaller farms, careful consideration will need to be given to how resilient the majority of farm businesses will be to the changing tide of policy and support, given their relatively small size.

You will need to manage the transition away from support payments, which should be done at a considered and reasonable pace, or it could force lots of farmers out of business. Developers are constantly at the heels of farmers who are landowners to sell their land for

property development. Any drastic changes to support payments will force farmers into a financially difficult position, which makes selling land for development extremely attractive. It is essential to remember that most farmers in NI own their land.

I support the payment of basic farm resilience support and don't agree that it could slow agricultural productivity growth by masking inefficiency. By their nature, farmers have an unyielding work ethic, forcing them to ensure as much productivity as possible, so they can feed their families. Often technical inefficiency is a result of not having the means to invest. Such a resilience payment would ensure the farmer can keep producing at times of fluctuating change (due to factors outside of their control), whilst allowing them to put their energy and resources into investing in innovation and technology. I therefore support the retention of funding within an area-based payment in the long term to provide an underlying and predictable revenue stream to underpin farm resilience, however, I would caution at your suggestion of attaching too many eligibility conditions to the payment, as that could be counterproductive to the aim of the payment. Objectives such as environmental, biosecurity and land management (as you suggest in the paper) should be applied as criteria to other incentives schemes with those issues at the heart of each future scheme.

It is worth bearing in mind that margins are very narrow for farmers, so although schemes such as deposit schemes suggested in section 5.3 may sound like a good idea, I seriously doubt farmers would have much extra cash to input to such a scheme, especially when you are encouraging farmers to invest in innovation and technology.

I note your focus on providing incentive for educational and training purposes. Again, I would like to point out historic differences in the two communities in NI and that you need to consider how incentives will be targeted in future. Historically, farmers from the unionist community had the resources to be able to sustain themselves wholly through farming. This meant they were able to study farming practices while earning off the land. Typically, farmers from nationalist backgrounds had to seek additional employment to prop up the earnings of the farm and could not afford to devote time to formal training. I would not like to see any future funding schemes disportionately benefit those who have already gained farming qualifications for this reason. Education / training based Incentives should be forward looking and aimed at completing future courses.

On the point of training and education, I would like to see some sensitivity towards older farmers (who make up the majority of the farmers) when designing your policies in relation to awarding incentives for attendance of courses or obtaining qualifications. Such courses are more attractive to the younger farmers, who are more likely to be computer literate and more accustomed to formal learning. Perhaps incentives for older farmers could be based around sharing their knowledge and experience with the younger generation.

There needs to be incentives to attract the younger generation into the industry, as currently a significant amount of young farmers have full time employment and can only devote evenings and weekends to the farm, which will not help your overall aims of increasing productivity and resilience. However, at the same time, you can not discriminate against

older farmers when providing support to farmers or designing incentive schemes (as that would be ageism). This will need to be given careful though.

I also note the aim to be more environmentally sustainable, which is very important, however, I would caution that incentives can't weigh too heavily on the environmental side, so as to put off farmers from farming. You need to ensure that the environment is protected and also ensure adequate incentive is provide to actually farm the land, otherwise, it will be of more financial benefit to farmers to give up farming the land.

I support simplification of the current CAP scheme, but understand there needs to be adequate checks and balances of any replacement.

Understand that increased productivity is desirable, but you need to be mindful that this isn't at the expense of quality produce, for which NI is renown for.

Although the proposals are forward looking, I really think they need to take into account, short, medium and long-term planning. Many proposals will require a shift in behavioural culture and ingrained practices, so I urge you to plan the transition very carefully, so as to not prejudice the older farming generation, who are true custodians of our land. We want to continue this ethos and to ensure it is not lost by driving destructive competitive and increased productivity policies.

RESPONSE TO DAERA'S NORTHERN IRELAND FUTURE AGRICULTURAL POLICY FRAMEWORK: STAKEHOLDER ENGAGEMENT PAPER.

I would like to provide some feedback on your proposals outlined in the Northern Ireland Future Agriculture Policy Framework: Stakeholder Engagement paper, along with some wider thoughts about the future of agriculture in Northern Ireland (NI).

I should note that I have also read the Department for Environment, Food and Rural Affairs (DEFRA) Health and Harmony document and note the alignment between the proposals outlined. I would like to highlight the need for NI specific policies that take account of our reliance on the agri-food sector. It is unfortunate that because of a lack of Executive, DEFRA have had to legislate on NI's behalf. I should hope this doesn't mean NI's future policy will replicate that of England or wider GB, particularly if we end up with direct rule. The agriculture sector in NI is unique, with different foundations and priorities which need to be reflected in a unique policy for NI. It must be remembered that Ni's unique selling point is its agri-food industry, which must be protected to foster and grow whilst retaining its reputation for quality.

I'd like to highlight that any plans to phase out payments and directing them to pilot scheme, should not necessarily mirror those suggested in England, again we need to ensure these pilots are specific to NI and that they are as open to as many sections of the farming community as possible. Same for any future incentivised schemes. I think it would be good governance to go out to consultation again to determine what these scheme or pilots should be. I understand that the Ulster Farmers Union (UFU)

were integral in forming this consultation paper. Although I respect the UFU and their work, I must remind you that they don't represent the views of all farmers in this country. Typically, the UFU represents larger farmers who have the means to react to change and are more resilient. It is important to ensure the UFU don't disportionately influence the future of farming policy, by driving the priorities of the larger farmer, at the expense of the smaller farmer.

I would like to point out something that needs to be borne in mind when developing future agriculture policy and that is to ensure future policy doesn't disportionately discriminate against one community over the other (nationalist and unionist). Historically, farmers from a nationalist background own smaller far s, typically towards the west of the country, where land is traditionally less fertile by nature of its hilly and rocky terrain. I note the focus to move away from smaller holdings (which is likely to take generations to come to fruition, given that over 75% of farm business in NI are classed as being very small), but this is an example of how policy could disportionately discriminate against those who own smaller farms, who are typically from an nationalist background. Also on the point of smaller farms, careful consideration will need to be given to how resilient the majority of farm businesses will be to the changing tide of policy and support, given their relatively small size.

You will need to manage the transition away from support payments, which should be done at a considered and reasonable pace, or it could force lots of farmers out of business. Developers are constantly at the heels of farmers who are landowners to sell their land for property development. Any drastic changes to support payments will force farmers into a financially difficult position, which makes selling land for development extremely attractive. It is essential to remember that most farmers in NI own their land.

I support the payment of basic farm resilience support and don't agree that it could slow agricultural productivity growth by masking inefficiency. By their nature, farmers have an unyielding work ethic, forcing them to ensure as much productivity as possible, so they can feed their families. Often technical inefficiency is a result of not having the means to invest. Such a resilience payment would ensure the farmer can keep producing at times of fluctuating change (due to factors outside of their control), whilst allowing them to put their energy and resources into investing in innovation and technology. I therefore support the retention of funding within an area-based payment in the long term to provide an underlying and predictable revenue stream to underpin farm resilience, however, I would caution at your suggestion of attaching too many eligibility conditions to the payment, as that could be counter productive to the aim of the payment. Objectives such as environmental, biosecurity and land management (as you suggest in the paper) should be applied as criteria to other incentives schemes with those issues at the heart of each future scheme.

It is worth bearing in mind that margins are very narrow for farmers, so although schemes such as deposit schemes suggested in section 5.3 may sound like a good

idea, I seriously doubt farmers would have much extra cash to input to such a scheme, especially when you are encouraging farmers to invest in innovation and technology.

I note your focus on providing incentive for educational and training purposes. Again, I would like to point out historic differences in the two communities in NI and that you need to consider how incentives will be targeted in future. Historically, farmers from the unionist community had the resources to be able to sustain themselves wholly through farming. This meant they were able to study farming practices while earning off the land. Typically, farmers from nationalist backgrounds had to seek additional employment to prop up the earnings of the farm and could not afford to devote time to formal training. I would not like to see any future funding schemes disportionately benefit those who have already gained farming qualifications for this reason. Education/ training based Incentives should be forward looking and aimed at completing future courses.

On the point of training and education, I would like to see some sensitivity awards older farmers (who make up the majority of the farmers) when designing your policies in relation to awarding incentives for attendance of courses or obtaining qualifications. Such courses are more attractive to the younger farmers, who are more likely to be computer literate and more accustomed to formal learning. Perhaps incentives for older farmers could be based around sharing their knowledge and experience with the younger generation.

There needs to be incentives to attract the younger generation into the industry, as currently a significant amount of young farmers have full time employment and can only devote evenings and weekends to the farm, which will not help your overall aims of increasing productivity and resilience. However, at the same time, you cannot discriminate against older farmers when providing support to farmers or designing incentive schemes (as that would be ageism). This will need to be given careful though.

I also note the aim to be more environmentally sustainable, which is very important, however, I would caution that incentives can't weigh too heavily on the environmental side, so as to put off farmers from farming. You need to ensure that the environment is protected and also ensure adequate incentive is provide to actually farm the land, otherwise, it will be of more financial benefit to farmers to give up farming the land.

I support simplification of the current CAP scheme, but understand there needs to be adequate checks and balances of any replacement.

Understand that increased productivity is desirable, but you need to be mindful that this isn't at the expense of quality produce, for which NI is renown for.

Although the proposals are forward looking, I really think they need to take into account, short, medium and long-term planning. Many proposals will require a shift

in behavioural culture and ingrained practices, so I urge you to plan the transition very carefully, so as to not prejudice the older farming generation, who are true custodians of our land. We want to continue this ethos and to ensure it is not lost by driving destructive competitive and increased productivity policies.

AUSTRALIAN GOVERNMENT

Northern Ireland Future Agricultural Policy Framework

Australian Department of Foreign Affairs and Trade
Australian Department of Agriculture and Water Resources

November 2018

The Australian Government welcomes the opportunity to share Australia's experiences and outlook on agriculture policy and trade reform with the Northern Ireland Government. Australia recognises that Brexit will be a disruptor to the Northern Ireland agriculture sector and trusts that the below information is of use as the Norther Ireland Government considers future agriculture policy direction.

Australian agriculture

Agriculture represents a small but important component of the national economy, accounting for approximately 2.6 per cent of GDP. Agriculture is a vital contributor to Australia's rural and regional communities and an important source of direct employment. The Australian agriculture sector continues to be driven by the family farm (99 percent of farms are family-owned and operated), which remains a strong and successful business model. Australia's farmers work to be internationally competitive through increased efficiencies and productivity growth, and are stewards of Australia's unique environment, caring for approximately 48 per cent of Australia's landmass.

History of Australian agricultural reform

Historically, Australian agriculture was supported by a range of measures designed to maintain and stabilise farmer returns, and to provide farmers with countervailing market power to offset the perceived disadvantages of remoteness. Prior to the competition policy reforms of the 1980s and 1990s, there was a range of protection for Australian agriculture. It was much lower than North America or Europe for extensive grazing industries, but higher for intensive industries such as eggs, tobacco and dairy. In 1980, Australia had 65 statutory marketing boards that used tariff protection and import controls to divide domestic and international markets, and set higher prices in domestic markets.

The competition policy reforms of the 1980s and 1990s followed the 1987 Uruguay round of trade negotiations. Floating exchange rates and trade liberalisation reduced price volatility in agricultural commodities, while lower tariffs on farm inputs diminished the case for providing farmers with 'countervailing' monopoly power through statutory marketing. Trade practices and anti-dumping legislation were, by that time, highly evolved and protected the operation of competitive markets across the whole economy, reducing the need for sector-specific measures.

The result was a near total dismantling of statutory marketing, and greatly reduced direct intervention by governments in agricultural marketing. Of the 65 statutory marketing boards that existed in 1980, only the statutory marketing of rice in New South Wales remains in 2018.

Statutory marketing distorted the efficient allocation of resources in Australia's agricultural sector and reduced productivity growth. This regulation-induced misallocation of resources reduced productivity growth in Australia's broadacre agricultural industries by 4.1 per cent per year between 1977–78 and 1989–90. Subsequent market reforms generated efficiency gains from the reallocation of resources that accounted for over a third (34.5 per cent per year) of productivity growth between 1989–90 and 1999–2000, and two-thirds (66.7 per cent per year) between 1999–2000 and 2009–10.

Previous assistance measures reduced farmers' incentives to find better ways to manage risks and improve productivity – the cost of which was borne by domestic consumers (in the form of increased prices) and taxpayers (for government expenditure for support). It also stifled incentive for innovation, and the contribution of agriculture to the economy.

Overall, Australian reforms have been driven by an acknowledgment that increasing efficiency and productivity is the best way to compete. While the initial reform process was difficult, the period of structural adjustment has had a significant, positive impact on the sector's productivity.

What now?

Australia is now recognised by the OECD as having the second lowest producer support estimate (1.7 per cent down from 13 per cent in 1986, compared with 18.3 per cent currently for the European Union down from 38 per cent in 1986). Australia no longer provides any market price support to producers. Government programs instead provide support directed at improving producers' ability to manage different production risks in agriculture. Most of these aim to help producers improve productivity and efficiency, facilitate structural adjustment, adapt and adjust to climatic change and improve environmental management of natural resources.

A good example of Australia's move from producer specific support to general services support is the rural research and development (R&D) system. Globally, R&D plays an important role in enhancing the productivity and competitiveness of agriculture industries. It also provides benefits for consumers—such as higher quality and lower priced food—and improved environmental and animal welfare outcomes.

In Australia, the Council of Rural Research and Development Corporation's Chairs evaluated projects undertaken by Australia's Rural Research and Development Corporations (RDCs) and estimated that for every $1.00 invested in R&D, the average return after 25 years is $10.51 — broadly equating to a rate of return of around 50 per cent. Research by the Australian Bureau of Agricultural and Resources Economics and Sciences found that each dollar invested in R&D generated $12 at the farmgate.

Australia has 15 RDCs that cover almost all agricultural industries, as well as the fisheries and forestry industries. Five are Commonwealth statutory organisations and 10 industry owned companies. The RDCs facilitate programs by directing research funds and fostering R&D coordination, cooperation and co-investment between industry and government.

The RDCs are funded primarily by statutory R&D levies on various commodities, with matching funding from the Australian Government. RDCs are accountable to both industry and government and importantly, levies for R&D must be initiated at the request of industry. To expand Australia's rural R&D efforts, the government matches expenditure on eligible R&D, generally up to 0.5 per cent of the determined industry gross value of production (approximately A$250 million per year). The government has also allocated A$180.5 million (over eight years to 2021–22) to the Rural Research and Development for Profit program. This program offers competitive grants to deliver cutting-edge technology and applied research, with an emphasis on making the results accessible to Australia's primary producers. More information on the Rural Research and Development for Profit program can be found at: http://www.agriculture.gov.au/ag-farm-food/innovation/rural-research-development-for-profit

The 2015 Agricultural Competitiveness White Paper committed the Australian Government to reducing unnecessary regulatory burdens on farmers to promote productivity, investment and

employment[1]. Australia does regulate agriculture where the social benefits outweigh the costs, but aims to avoid regulation for which the costs of administration and compliance outweigh the benefits. The Productivity Commission inquiry into the Regulation of Australian Agriculture provides a comprehensive audit of regulations across the agriculture sector[2]. The White Paper also committed the Australian Government to examine competition and unfair trading issues in agricultural supply chains with the establishment of the Agriculture Unit of the Australian Competition and Consumer Commission (ACCC)[3] in October 2015. More information on the Agriculture Unit at the ACCC can be found at: https://www.accc.gov.au/focus-areas/agriculture

Managing agricultural risk

Managing agricultural risk from year-to-year and over longer cycles is a significant challenge for Australian farmers. Farming risks include domestic and international market variations, changes in climatic and environmental conditions, pests and diseases, changes in rules and regulations, social expectations and technological change. Australian Government policy encourages improved farmer preparedness to manage risks, while providing necessary assistance in extreme events.

Australia is a dry continent with a highly variable climate and drought is a key and recurrent management risk for farmers. Drought can significantly impact on agricultural output, productivity and on-farm incomes. Prior to 1989 drought was treated as a natural disaster and Australian farmers were supported through drought periods by emergency measures such as farm input subsidies. These drought assistance measures were often poorly targeted and created disincentives for effective risk management. It was also considered that these measures also tended to impede normal structural adjustment as there was reduced incentive for certain farming businesses to respond to market signals or exit from the industry. In turn, this may have prevented more efficient farmers from expanding their scale of operations and reduced overall agricultural productivity growth.

From 1992, the Australian Government introduced a series of reforms to its drought assistance measures, due in part to a widespread recognition that drought should be managed as a recurrent feature of the Australian landscape and not as a natural disaster. The reforms aimed to assist farmers to improve their adaptive capacity, preparedness and risk management capability so that they could be more self-reliant in managing drought and other climatic variabilities. This involved transitioning farming families and rural communities towards a social safety net in times of drought or hardship, rather than providing direct support to farm businesses. Importantly, encouraging farmers to be more self-reliant in managing the production and market risks facing their farm business has the additional benefit of driving innovation and productivity growth in the agricultural sector.

Australia's current agricultural risk management policy and assistance measures enable farmers to prepare for, manage through and recover from drought and other hardship. These measures include the Farm Management Deposits Scheme (FMDs), the Farm Household Allowance, Rural Financial Counselling, Drought assistance concessional loans, the Managing Farm Risk Programme and

[1] Available at http://agwhitepaper.agriculture.gov.au/

[2] Available at https://www.pc.gov.au/inquiries/completed/agriculture/report/agriculture.pdf

availability of seasonal forecasting tools for improved decision making. FMDs are run through the Australian Taxation Office and allow primary producers to set aside tax-deductible deposits of up to $A800 000 during prosperous years, which they can draw upon when times are tough. Further information about these assistance measures may be found at www.agriculture.gov.au/ag-farm-food/drought/assistance

The Agricultural Competitiveness White Paper also contains a number of additional measures to further strengthen approaches to risk management in the agricultural sector and assist farmers to prepare for, and manage drought, as well as other risks they face.

The following reports have discussed Australia's agricultural reform story and provide useful further detail on Australia's experience of regulation and reform in the agriculture sector:

- Productivity Commission, *Regulation of Australian Agriculture,* 15 November 2016, https://www.pc.gov.au/inquiries/completed/agriculture/report/agriculture.pdf

- Australian Bureau of Agricultural and Resources Economics and Sciences, *Australian agricultural productivity growth: Past reforms and future opportunities,* February 2014, http://data.daff.gov.au/data/warehouse/9aap/2014/apgpfd9abp_20140220/AgProdGrthPstRfmFtrOppsv1.0.0.pdf

- Organisation for Economic Cooperation and Development, *Innovation, Agricultural Productivity and Sustainability in Australia*, 2015, http://www.oecd.org/australia/innovation-agricultural-productivity-and-sustainability-in-australia-9789264238367-en.htm

The Australian Government undertakes activities which enhance the natural resource base on which agricultural industries rely by:

- developing national initiatives to address issues of sustainable resources management and use
- conducting research to build an information base and encourage information-sharing, and
- administering programs that promote widespread adoption of sustainable natural resource management practices.

The National Landcare Program is one such initiative which seeks to promote the adoption of sustainable natural resource management practices. This includes a range of measures to support regional and local communities to protect Australia's natural environment and promote best-practice sustainable agriculture and expert management of natural assets such as soil, water and native vegetation. More information on Landcare can be found at: http://www.agriculture.gov.au/ag-farm-food/natural-resources/landcare/national-landcare-program/

The Australian Government recognises and supports the important role that community and industry organisations have through the Landcare movement in protecting and improving the condition of soils, vegetation and biodiversity on-farm. The condition of these natural resources underpin the productivity and profitability of the agriculture sector and deliver community benefits.

Cooperation between all levels of government

Australia has three independent tiers of government — the federal government, eight state/territory governments and over 560 local governments — with distinct areas of competence. Competency of agriculture and trade matters are split between the three levels of government. For example, the federal government is responsible for international matters (including trade and biosecurity), state and territory governments are generally responsible for natural resource and land management and local government is responsible for land-use planning.

The success of Australia's agricultural reform story has required effective cooperation and coordination on agricultural issues between these three tiers of government.

The Council of Australian Governments (COAG) was established in 1992 and is the peak intergovernmental forum in Australia for all matters of national significance that need coordinated action by all levels of Australian government (including agriculture issues). COAG has produced a number of agreements between Australian governments on issues relating to natural resource and land management, water resources and biosecurity.

The Agriculture Ministers' Forum (AGMIN) is the peak forum for cross-jurisdictional collaboration on agriculture issues, and includes all Australian and state/territory ministers with portfolio responsibility for agriculture. AGMIN is supported by the Agriculture Senior Officials' Committee (AGSOC) which is comprised of government officials from the agriculture portfolios of the Australian government, and the states and territories. A number of sub-committees and task groups report directly to AGSOC on priority issues including the Primary Industries Technical Market Access and Trade Development Task Group, the National Biosecurity Committee, the Drought Task Group and the Agvet Chemicals Task Group.

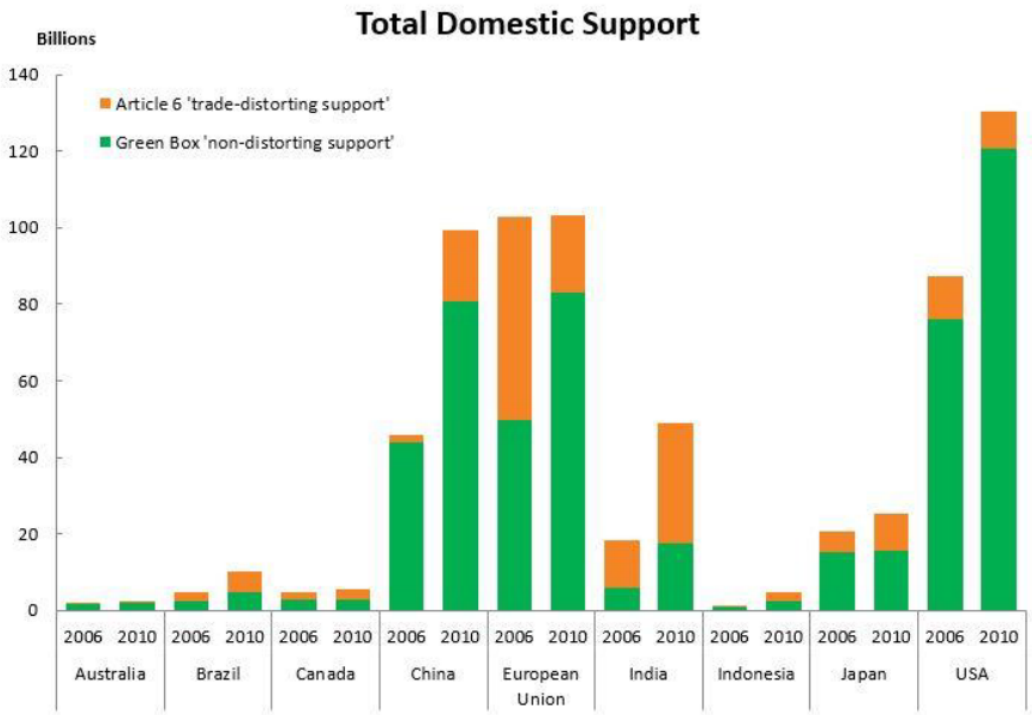
These mechanisms provide an effective framework that enables collaboration and cooperation between Australian governments on priority agriculture issues.

Global agricultural trade reform

Global agricultural trade remains hampered by considerable trade barriers and economic distortions, especially when compared to trade in non-agricultural goods. Continuing the task of liberalising global agricultural trade will bring important benefits in terms of economic growth, improved welfare, food security and sustainable development. Australia is strongly committed to liberalised trade and a rules-based global trading system, which will lead to a fairer and more market-oriented agricultural trading system.

Agriculture makes an extremely important contribution to many economies around the globe. However, high tariffs lock producers out of markets, while certain forms of subsidies unfairly distort production and prices. These trade-distorting practices can impede global food security and imperil the livelihoods of farmers and farm businesses.

Through the Agreement on Agriculture in the World Trade Organization (WTO), countries agreed to limits and disciplines on their interventions in agricultural markets. Unfortunately, these disciplines, while a solid foundation, have proven insufficient to eliminate completely trade-distorting policies in agriculture. The following chart shows that domestic support is continuing to increase in agriculture-producing countries. There has been a particularly sharp rise in trade-distorting support in emerging economies such as India and China.



The challenge of reforming the use of agricultural subsidies and domestic support can only be addressed through the WTO. Australia leads global efforts, including by its leadership of the Cairns Group in the WTO, to reform agricultural trade rules to ensure they are fair and market-oriented. The Cairns Group is a coalition of 19 agricultural exporting countries, which account for over 25 per cent of the world's agricultural exports. During the WTO Doha Round of negotiations, the Group has continued to push for the liberalisation of trade in agricultural exports.

Existing EU/UK trading regime and agricultural support

Since the United Kingdom — and Northern Ireland along with it — joined the European Economic Community (EEC) in 1973, prohibitively high tariffs, and very limited tariff rate quotas (TRQs) and country-specific quotas (CSQs) have limited third party country access into the UK for key agricultural commodities. Australia's agricultural trade with the UK has changed substantially since the 1970's, with the limited access and prohibitive trade barriers one of the key drivers behind the change. While the European Union's Common Agricultural Policy (CAP) has undergone reforms to restructure how support is provided to the agricultural sector, market access barriers have effectively remained unchanged since the conclusion of the Uruguay Round in the mid-1990s.

Australia strongly encourages the UK to avoid replicating the existing EU tariff schedule, which contains a series of complex and high tariff barriers and limited tariff quotas on key agricultural commodities. Such barriers prevent market signals from reaching producers and distort production decisions. The UK should set its own independent tariff schedule that reflects the free-trade credentials the UK has espoused for a long time. A more liberal UK trade regime would benefit both UK consumers and primary producers.

As Northern Ireland emerges from the CAP and implements domestic agricultural reforms, Australia welcomes the announced transition to a new agricultural policy framework. As part of developing a

new policy framework, Australia urges Northern Ireland to transition away from market price support and direct payments as soon as possible. Australia encourages Northern Ireland to only provide support and assistance to its farmers in a manner that genuinely has no trade-distorting effects or effects on production and is targeted, transparent and fully decoupled (as set out in Annex 2 of the WTO Agreement on Agriculture – the 'Green Box').

Australia, a country with much at stake in an open global trading system, looks to the whole of the UK to establish agricultural trade policies and domestic support mechanisms that are market-oriented, genuinely trade liberalising, and drive efficiency and competitiveness of UK farmers. This would not only be in the UK's long term economic interests, but would also send a clear signal of the UK's commitment to a strong global trading system.

Australian experience - openness to trade

Australia has learned from experience that openness to trade and access to a diverse range of import and export markets helps drive efficiencies and improves industry's agility and ability to manage risk. As a result, Australia has significantly lowered tariffs, eliminated virtually all quantitative measures, reformed domestic support, and expanded and diversified access to international markets.

Australian farmers have benefitted significantly from international trade. The ability to export gives Australian farmers the opportunity to sell their products to a wide range of markets and consumers. Australia's openness to international markets allows Australian farmers and firms to access specialised equipment and materials, and other inputs, from overseas at competitive prices. This improves their efficiency, productivity and capacity to meet the demands of both local consumers and export markets, and to remain competitive.

Access to overseas alternatives to domestic markets can also help producers achieve higher margins. Farmers are in a stronger negotiating position, both at home and abroad, when they can sell their products in a greater range of markets. Diversifying their client base helps producers and exporters manage risk and maximise their returns. Australia's liberalised trade settings provides the Australian agriculture industry with incentive to improve the competitiveness of its production and export value chains.

As previously outlined, the Australian agriculture sector has undergone significant reform and structural adjustment over a number of decades. Australian Government support to farmers has moved away from inefficient market-distorting support that provides producers a direct price signal, to support based on managing risk. The types of support we favour are those which are WTO compliant, least trade distorting, have no effect on production and are not subject to reduction commitments, for example: research and development; training; government services such as pest and disease control; and promotion services.

Multifunctionality of agriculture

While sustainable agricultural production has a role to play when managing the environment and biodiversity, governments need to ensure that the multifunctionality of agriculture is not used as an avenue to maintain high levels of agricultural subsidies and protection. Agricultural policy should principally focus on the provision of food and fibre and not be used indirectly as an omnibus vehicle to address all manner of environmental issues. Farm enterprises should rely on the merits of their

agricultural produce, and not on subsidies relating to the environment. Such an agricultural policy risks undercutting the principle of open markets, and developing efficient and competitive agricultural producers.