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Agriculture News

September – December 2021

September 2021
The Law of Unintended Consequences

In the spring the Government responded to clamour for a net zero style target for nature by introducing a Species Abundance Target in the Environment Bill and recently supplemented it with a call to 'halt species decline by 2030'. That has led the RSPB and Wildlife Trusts to call for five-yearly budgets for nature recovery, and thus the opportunity to secure more funding for their own objectives.

Agri-environment schemes have cost £8.5bn over the last 25 years and UK public expenditure on biodiversity is £10.3bn since the millennium. Has the process been the right one given the cost? Perhaps not. The UN Convention on Bio-Diversity to which the UK is a signatory provides Aichi Targets for process and outcomes. The UK is considered to be achieving the former but not the latter, probably because the target has been considered more important than how to get there.

For example, despite calls for 'the right tree in the right place', commercial forestry in the Borders is impacting on the black grouse population, and a target for a migrating species will not be met if one of the variables is beyond domestic influence. Equally funding to establish an ideal habitat for a species such a curlew to breed will be wasted if support such as predator control is not provided.

Is it good policy to fund these schemes without proper scrutiny of the outcomes and at the same time to introduce an Environmental Land Management Scheme with an all too predictable outcome? The ELM Scheme assumes that the UK is a rich nation and can pay others to feed us. This was Government policy in the 1930's and led to 70% of the food being imported. By the 1980's imports had fallen to 20%. They are now back to 40% and rising. One in four farming families live in poverty and have depended on the CAP area payments to keep their heads above water. They subsidise their production of food by taking no wage, working all hours and diversifying their activities in order to deliver a loss making product which subsidises retailers' balance sheets.

And if the ELM Scheme is appropriate, might it not be better to retain some support for food production as well? The governments in Edinburgh and Cardiff evidently think so as they are continuing with support for longer. Recent events suggest they may be right. The steep rise in the cost of energy will add to farmers' costs, and if there is further disruption in the manufacture of fertiliser, their productivity will reduce.

To attempt to address climate change and loss of bio-diversity and at the same time export the ecological consequences of intensive agricultural production to other parts of the world does not in present circumstances seem a wise policy for a Government struggling to cope with other immediate problems. An 80-seat majority and no need for an election until 2024 was always likely to lead to over-ambition.

October 2021
Ministers' focus elsewhere

Recent Government activity confirms UK farming is down the list of national priorities.

The increases confirmed in the Budget in the rates for National Insurance and the National Living Wage will add to employment costs. The Shared Prosperity Fund which replaces EU Structural Funds and might have helped farmers with grants is now less likely to. There will be only £0.4bn available in the first year as compared with £1.5bn from the EU, and there will be no ring fencing of funds for rural areas.

The agreement in principle on a trade deal with New Zealand is like the recent one with Australia. Significant market access is to be given to NZ suppliers, as it was to Australian ones, and the same is likely when a deal with Canada is updated. Agri-food has been used as a lever to open up access for UK suppliers in other areas; whereas an agri-food product will qualify for tariff free access if at least 85% of the ingredients come from the exporting country, the threshold for vehicles is just 25% of component parts. While the effect of the increases in access on UK farmers is not likely to be significant in the immediate future because Australia and New Zealand prefer to focus on Asian markets and have not been using up their tariff free allowances for exports into the UKs, other suppliers of the UK market such as Ireland will be concerned; in time Australia and New Zealand will have more tariff free access each year than Ireland's current total annual sales into the UK.

The Government's lack of interest in farming is perhaps mirrored by farmers' response to DEFRA's invitation to participate in the Sustainable Farming Initiative pilot schemes. Only 2,000 farmers expressed an interest, which DEFRA at first said might not provide a sufficiently representative sample

to provide it with adequate practical experience of its plan. Now, however, despite just 938 having submitted applications, DEFRA says it is pleased to have a good spread of types, sizes and locations.

Concerns about profitability with reducing annual payments instead of guaranteed CAP money will not go away. Turnover for livestock farmers should be higher this year, with average quality lambs still selling for over £100 in the auction marts, and the best for up to £150, but costs are rising. Diesel fuel is significantly more expensive and, thanks to the surge in gas prices, fertiliser could cost three times more than before.

UK cheese producers may smile at news from across the Channel. The European Commission is considering making the French nutri-score system, which ranks food on a colour coded scale based on nutritional value, mandatory. The makers of Roquefort, which would be classed on a par with crisps and sugary drinks, seek exemption, claiming they have to comply with appellation rules and cannot change ingredients. Public health officials reply that 'even if they are part of our culinary heritage, these foodstuffs have nutritional content that is not favourable'.

November 2021

Beware of long term consequences of new sources of funds

Farmers facing decreasing money from the Government's interim arrangements in place of CAP Single Farm payments and threats to their markets from the ramifications of Brexit and in the longer term one sided new international trade treaties, may find that new sources of funds come with unsatisfactory restrictions. Environmental Land Management Schemes are one such source, especially if payments are at a level which does not provide an adequate return.

CoP26 has stimulated thought about carbon on farms, with rosy pictures of another new source of income. Are they realistic? Not yet. A farmer planning his business has to understand how much carbon it emits and how much carbon can be stored on his land. For that he needs an accepted method of measurement. At present there are several. DEFRA is sponsoring research to find a definitive measure.

Farmers can expect invitations to offset or sell the value of carbon on the farm. An organisation looking to offset its own emissions will want an assurance that the farm's ability to absorb them will be maintained, and the land and woodland kept in their present use. What if nature intervenes and the vegetation is destroyed or the trees blown down? Can the farmer insure the risk to which his assurance has exposed him, and, if so, at what cost? Will he be expected to pay compensation? And replant? And if it takes years for the land or woodland to recover, what then?

An offset commitment may limit the next generation's plans. It may also affect the value of the farm as security for borrowed finance and leave the business less well placed than it need be if the present or a future Government makes farmers liable for a carbon emissions tax, and expects them to achieve net zero. It might be better for the farm to keep the value of carbon stored to offset its own emissions.

Of more immediate concern to all farmers is the continuing rise in costs, alleviated to some extent by beef and lamb prices remaining high, due to shortage of supply rather than increased demand. Auction marts try to limit levels of buyers' debt but, if they are too draconian, business will go to another more accommodating mart. Asian butchers from Birmingham have proved reliable customers of one in the North East.

Dairy farmers may have fared better than expected but the outlook is difficult, with higher feed costs and sharply increasing prices for energy and fertiliser making it hard to increase production to take advantage of tight global supplies.

Pig farmers in England have had help from the Government. It has introduced a short term Slaughter Incentive Payment Scheme ending a few days before Christmas to ease the backlog on farms due to shortage of processing capacity, caused in part by lack of trained butchers and disruption in supplies of CO_2.

What can go wrong next, farmers ask.

December 2021

Environmental Protection – another dark cloud for farmers?

The Environment Act became law during the CoP26 Conference – two years since it was first announced. The Chair of Natural England hailed it as 'the most ground-breaking piece of environmental legislation in many years' – perhaps not the most felicitous choice of adjective for legislation that has environmental protection as one of its objectives. It sets statutory targets for the recovery of the natural world in four priority areas – air quality, biodiversity, water and waste – and, as a result of amendments accepted by the Government during the Parliamentary process, a target for reversing the decline in species abundance by the end of 2030.

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The Act will have significant implications for farmers in the longer term. The air quality target will focus attention on ammonia emissions from intensive livestock farming, the water quality target on what is applied to land (eg if chicken manure (classed as organic) is used as a substitute for the increasingly expensive manufactured fertiliser) and the waste reduction target on single use plastics and whether they should be subject to a charge.

The environmental principles which the Act requires to be observed include 'the polluter pays' and 'the precautionary principle'. Will growers be responsible for the consequences of diffuse pollution from fertilisers and chemicals?

Local authorities are to be tasked with implementing Local Nature Recovery Strategies by mapping habitats and making plans for improvement, along the same lines as they make local plans under the Town & Country Planning regime, that will lead to restrictions and directions as to what landowners can do with their properties. On a more positive note, the requirement that developers must provide 10% more biodiversity when they have finished than existed before they started will lead to a market in Biodiversity Credits and allow landowners to create offsets for developers to buy if they cannot provide the 10% on their site. As with carbon offsets, landowners will need to consider carefully the risk they undertake and how the commitment will impinge on their ability to manage their business. The credit regime will be enacted by amending the planning legislation and will therefore apply in England only.

A general concern is that farms may suffer in the same way as retail and hospitality businesses have suffered from the Government's determination to be 'guided by the science' in its management of the pandemic – with little regard to economic implications. The Act establishes an Office of Environmental Protection, to hold the Government and public authorities to account in applying the principles of environmental management set out in the Act. While there is a concern among environmentalists that the OEP will not be sufficiently independent of the Government, there is a fear among farmers that it will be dominated by environmental interests and discount economic development. There does not seem much point in seeking to influence how land is managed if farmers do not have viable businesses, but the Government, unlike previous Conservative ones, seems determined to press on regardless.

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