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HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

AGRICULTURE BILL

Second Sitting

Tuesday 23 October 2018

(Afternoon)

CONTENTS

Examination of witnesses.

Adjourned till Thursday 25 October at half-past Eleven o'clock.

Written evidence reported to the House.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

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Saturday 27 October 2018

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The Committee consisted of the following Members:

Chairs: † SIR ROGER GALE, PHIL WILSON

† Antoniazzi, Tonia (<i>Gower</i>) (Lab)	† Harrison, Trudy (<i>Copeland</i>) (Con)
† Brock, Deidre (<i>Edinburgh North and Leith</i>) (SNP)	† Hoare, Simon (<i>North Dorset</i>) (Con)
† Chapman, Jenny (<i>Darlington</i>) (Lab)	† Huddleston, Nigel (<i>Mid Worcestershire</i>) (Con)
† Clark, Colin (<i>Gordon</i>) (Con)	† Lake, Ben (<i>Ceredigion</i>) (PC)
† Davies, Chris (<i>Brecon and Radnorshire</i>) (Con)	† McCarthy, Kerry (<i>Bristol East</i>) (Lab)
† Debbonaire, Thangam (<i>Bristol West</i>) (Lab)	† Martin, Sandy (<i>Ipswich</i>) (Lab)
† Drew, Dr David (<i>Stroud</i>) (Lab/Co-op)	† Stewart, Iain (<i>Milton Keynes South</i>) (Con)
† Dunne, Mr Philip (<i>Ludlow</i>) (Con)	† Tracey, Craig (<i>North Warwickshire</i>) (Con)
† Eustice, George (<i>Minister for Agriculture, Fisheries and Food</i>)	† Whitfield, Martin (<i>East Lothian</i>) (Lab)
† Goodwill, Mr Robert (<i>Scarborough and Whitby</i>) (Con)	Kenneth Fox, Anwen Rees, <i>Committee Clerks</i>
	† attended the Committee

Witnesses

Andrew Clark, Director of Policy, National Farmers Union

Christopher Price, Director of Policy and Advice, Country Land and Business Association

George Dunn, CEO, Tenant Farmers Association

Jason Feeney CBE, Chief Executive, Food Standards Agency

Dr Nick Fenwick, Head of Policy, Farmers Union of Wales

John Davies, President, National Farmers Union Cymru

Huw Thomas, Political Adviser, National Farmers Union Cymru

Public Bill Committee

Tuesday 23 October 2018

(Afternoon)

[SIR ROGER GALE *in the Chair*]

Agriculture Bill

2 pm

The Committee deliberated in private.

Examination of Witness

Andrew Clark gave evidence.

2.6 pm

The Chair: Good afternoon, ladies and gentlemen. We will now hear oral evidence from the National Farmers Union. Will you identify yourself for the record?

Andrew Clark: I am Andrew Clark, director of policy at the National Farmers Union.

The Chair: Thank you for taking the trouble to join us. We have until 2.30 pm for this line of questioning. I am sorry we are running slightly late, but there were some domestic issues that had to be discussed. The first question is from the Minister.

Q25 The Minister for Agriculture, Fisheries and Food (George Eustice): Thank you, Mr Clark. Do you agree with the central premise of the Bill, which is that the end state should be that we phase out direct area subsidy payments, and instead support agriculture in a different way, helping it to invest in productivity and deliver environmental outcomes and other public benefits?

Andrew Clark: We certainly agree with the central premise that we should move to a new state. We believe that the transition period of seven years is probably the right timescale at the moment. However, we are concerned that it is difficult to predict the circumstances we will find ourselves in during that seven years—or even next week. During those seven years, while moving to a situation where public goods are the primary reward for farm businesses, there should be an opportunity for Ministers to pause, reflect and review that transition, and to vary payments.

Q26 George Eustice: So you support the power to extend the transition during the transition.

Andrew Clark: We would like to widen that power slightly to allow Ministers and future Governments to vary the transition according to economic circumstances and the ability of farm businesses to deliver on the public goods that you want to achieve.

Q27 George Eustice: You have talked about food security being an objective of policy. What do you deem to be the correct level of self-sufficiency?

Andrew Clark: It is a good question. For starters, we are very clear in our mind that food security is a public good. It is in the public interest to ensure that there is a sufficient level of food supply from domestic sources. One of the changes to the Bill that we would like is clarification that it is a particular objective of the Government to achieve food security. We believe this should be a direction of travel, rather than wanting a particular level. Clearly, for different crops, there are different levels of food security. In some crops, we could

be 100% self-sufficient; in others, such as bananas and aubergines, we probably never will or should be. We believe food security should be an objective of the Bill and should be in there with public goods.

Q28 George Eustice: Finally on this point, do you think the fact that sectors such as poultry, pigs and soft fruit—the ones that have traditionally received no support—are the ones in which we are most self-sufficient slightly undermines the argument that direct payments of one sort or another are essential to deliver food self-sufficiency?

Andrew Clark: Our objective would be to ensure that there was intervention to assist all businesses, in whatever sector, in contributing towards food security and sustainable management of the land. Every sector has a contribution to make to that. Pigs and poultry indirectly benefit from the fact that they take feedstocks from other parts of the farm economy—notably cereal farmers—that receive direct payments.

Q29 George Eustice: Finally—I know we are short of time—part 2 of the Bill gives the Government powers to simplify and improve the legacy basic payment scheme system. What would your organisation most like to see changed during that transition period?

Andrew Clark: That is a good question. One of the things we would like to see is a simplification of the approach. The objective of simplifying and improving is laudable. One of the concerns about the transition relates to untangling the bureaucracy we find currently with greening—the detail of measurement and that type of thing. In terms of outcomes, however, some of those greening measures potentially have good benefits for farm businesses and the sustainable management of land and soils, and we would be disappointed if the existing benefits from agriculture production were lost during the transition period.

Q30 Dr David Drew (Stroud) (Lab/Co-op): Very quickly, what other worries have you got about this Bill?

Andrew Clark: There are a number of worries. The Bill is fairly silent on three crucial areas that we think need to be addressed. Ministers have rightly made a lot of points about farmers' proud record on caring for the environment and, in particular, animal welfare and health. It seems to us that the Bill should give greater provision to protecting and retaining farming standards, environmental standards and animal health and welfare standards, in the face of the new trading environment. We would like to see some measures, and perhaps some amendment, relating to that.

As the Minister has pointed out, the long-term commitment is for farming to continue to deliver a contract around environmental and land management. That is a multi-annual commitment, and we believe that there should be a multi-annual budget to go along with that, rather than just a year-to-year budget. We would like to see something that reflects the long-term nature of the farming community's expectations in the Bill.

The final thing is that we feel that there is not quite enough agriculture in the Agriculture Bill. Although it sets out clearly what types of things can be done—perhaps not how they will be done—it does not say who will benefit from those payments. We think it is important that it is the active land manager, the farmer and the food producer. It should be seen through the prism of food production and the active management of land.

Q31 Dr Drew: Just a very quick rejoinder. If the Bill goes through unamended, what type of farmers are most at risk from the changes?

Andrew Clark: The economic modelling that has been done suggests that it is the livestock sector—particularly beef and sheep, and especially in the lowlands. A lot of focus is given to upland farming—I have great interest in that myself, having worked on conservation and environmental schemes for most of my career at the NFU—but lowland livestock farms in marginal situations in the west of the country have few choices other than grazing land. They are particularly vulnerable communities. Very often, they are communities; they are not just isolated farms. They form a network and the backbone of both the landscape and the farming community.

Q32 Mr Robert Goodwill (Scarborough and Whitby) (Con): In this morning's evidence session, we had two farmers from different parts of the country, representing different types of farms. One was from Cambridgeshire, where the fields have been amalgamated and production is very intensive, and the other was from the south-west, and he said, for example, that the field margins around hedges discriminated against him because he has small fields. On my farm, I have very small fields, compared with my next-door neighbour, and I always feel that we are being picked on.

As we go forward, how can we manage to have a system that works for the farmers who have intensified their farms and are going to green them up while not being unfair to the ones who are already very green? How do we reward progress and, at the same time, reward the people who have always been doing the right thing?

Andrew Clark: This is one thing I wanted to pick up in evidence to the Committee. The legislation that we are looking at is only half of the formula that needs to be delivered in order for farms to be profitable, sustainable and productive in future. It is the policy that goes alongside that legislation that is important. That policy needs to be one of opportunity, that creates opportunities for farms to follow the approach, whether it is public good provision, or becoming more productive or, hopefully, doing both those things together.

Looking at that policy and the measures that are available, it is important that the Agriculture Bill ensures, in fact, almost places a duty on Ministers, to deliver schemes that help farms to be both more productive and more sustainable in future. Those two themes would apply both to the farmer in the west country and the farmer in East Anglia. There are great opportunities for both of them to manage soils better or protect waters and thereby manage their farms in a more profitable and productive way in future—for instance, by nutrient management and introducing some of the approaches in terms of minimum till agriculture. That would apply to both farming situations.

Q33 Martin Whitfield (East Lothian) (Lab): This is a very straightforward question, but I am not sure you are the person to comment on it. Do you think in this primary legislation an opportunity could be taken to resolve the red meat levy discrepancy between Scotland, Wales, Northern Ireland and England?

Andrew Clark: For fear of breaking into devolved discussions, I suspect that the Agriculture Bill is not the right place. I suspect that the reform of the Natural

Environment and Rural Communities Act 2006 that set up the Agriculture and Horticulture Development Board in the first place, might be the appropriate place. Whether legislation is the way to sort that out or having the parties sit round the table and come to agreement, it is part of a wider issue, which again is perhaps not covered in the Agriculture Bill as much as it should be.

Scotland is absent, as we know, from the schedules, which from a UK farming perspective is concerning. We would like to see a common framework in agreed areas across the whole country, because that benefits every farm business and allows the free flow of goods and services and agricultural activity across the whole UK economic area.

Q34 Colin Clark (Gordon) (Con): World Trade Organisation rules have come up as a potential concern—that could constrain payments such as less favoured areas or coupled support. It has been said that the Secretary of State could potentially limit devolved Administrations or even England. In earlier evidence, the Royal Society for the Protection of Birds said that WTO concerns were a red herring. Is it a concern you share, considering that we have an aggregate measure of support in the amber box? Are you concerned about the WTO being an issue?

Andrew Clark: There is clearly an obligation on the UK to be a responsible party to the WTO. However, the measures that have taken place that can influence that compliance and participation are devolved to individual parts of the UK and the Governments there. I think that devolution should be respected, but the Governments in each part of the UK need to come together, compare and agree an approach that works for every part of the UK.

We are concerned that, although there might be no intention at the present moment for some of these powers that are granted under the Agriculture Bill to be used by Ministers, this Bill could last 40 years. It could be another decades-long power. Those powers could be used very differently by different Administrations in future. In terms of the WTO obligations and powers, we are not sure how those powers might be used in future.

It is clear that we need to get some more clarity about the powers. That applies not just to the WTO provisions but to many other powers. I think the House of Lords Delegated Powers and Regulatory Reform Committee counted 26 new powers granted to Ministers across the Agriculture Bill. We need to have clarification about how those powers are going to be used, in order to have the full sight of Parliament and stakeholders such as the NFU on those detailed concerns.

Q35 Colin Clark: To follow up, as the amber box is as much as £3 billion, it would be highly unlikely unless an entire payment were to go into the amber part of the WTO, where that could be a concern. It is hypothetical as opposed to realistically going to arise, isn't it?

Andrew Clark: At present, it is hypothetical, but the point I am trying to make is that there is delegated ability to take action in each part of the UK. There needs to be agreement about how that is played out in a mature and professional way. I wouldn't go as far as saying it is impossible. Clearly, £3 billion spent on an amber box in one country is impossible. We do not know what the total budget would be either. There are a number of factors around there that are still uncertain.

What we would like to see is agreement between the devolved parts of the UK and Westminster about how that is taken forward and how those powers are deployed.

Q36 Sandy Martin (Ipswich) (Lab): I note your contention that there is not enough focus on food production in the Bill. Would you agree with me that there is also not enough focus on the delivery of safe and healthy food? Would you support a duty on the Secretary of State to support the development of local supply chains and other measures in order to ensure delivery of safe and healthy food?

Andrew Clark: I am not sure I would go as far as a duty, but that is the sort of thing the NFU would like to include in the policy measures that are available and follow from that. Certainly, one of the objectives of food security could be strengthening and building local supply chains, both to private citizens and to the public sector as well.

Q37 Trudy Harrison (Copeland) (Con): You mentioned earlier that livestock and lowland farms were identified as being particularly at risk. Given that they are already on fairly poor land—they are often coastal farms—does the Bill allow any mitigation to support those farms, and if not, what does the NFU recommend?

Andrew Clark: At present, the Bill does not go into that detail. That is something that would fall into the policy measures that would follow from this. There is potential for agri-environment schemes to help deliver support to those type of farms. Equally, I would see measures on the productivity cornerstone the NFU has been advocating as being suitable for those types of farm business so they can, as I say, be better, more sustainable food producers, but also sustainable in the environmental sense.

Q38 Mr Philip Dunne (Ludlow) (Con): Do you think the categories of extraordinary measures that can be introduced in the event of market failure or disease having a particular impact on certain sectors of agriculture are sufficient if the country, as a result of the introduction of these new schemes, loses its position on food security and imports take over a much higher proportion of the food consumed in this country?

Andrew Clark: You make an important point. We are very pleased to see provision for measures to be taken in exceptional market circumstances. The concern we have around that comes down to a couple of things: first, the power is a power and not a duty. In the circumstances that exceptional market conditions exist and are recognised, Ministers may choose to take action rather than have any expectation or duty to do so. We would expect that would be more likely a duty that should reside with Ministers. Secondly, that it is qualified; there are a number of circumstances that have to be in place for that to be taken into account. We would like to see, for example, a consultation with the industry and consideration given to the marketplace and market returns to understand whether an exceptional market situation exists or could exist in the near future. There is more work to be done on that.

Q39 Simon Hoare (North Dorset) (Con): Everyone agrees that certainty on how and where to invest, and so that people can lend money to farmers and the agricultural sector for investment, needs to be safeguarded as much as possible in the Bill. To put it another way, that is

something on which the major political parties can coalesce and which will not be subject to tinkering every six minutes or every change of Parliament, and so on. What is your hunch? Is there enough in this Bill? Is it robust enough to give the agricultural sector—those who wish to invest in the staff working within it or to lend to it—the option of doing so in the confidence that there will be a UK agricultural sector 20, 30, 40 or 50 years hence?

Andrew Clark: It is the start of that. There is certainly through to the end of this Parliament. The reason I raised the issue about a multi-annual budget is because we are not certain about the future. There is a transition path which sees the movement of money away from the basic payment scheme. We are not clear, apart from policy statements, about what that looks like or about the certainty and security that provides for farm businesses to invest in the future. Farm businesses are long-term investments. The food sector relies on 60% of its inputs from the farm sector in the UK, so we would hope that, by the time it leaves Parliament, the Bill will create that certainty and security for farm businesses and the rest of the food sector to invest with confidence. At present, without that budget certainty, I am not sure that there is that absolute cast-iron certainty.

Simon Hoare: Sir Roger, may I clarify something?

The Chair: Briefly, please.

Q40 Simon Hoare: Just as, for example, we have that welcome figure of 0.7% of GDP for international development, would you be happier if there were, or are you looking to have, some sort of guaranteed ring-fencing or envelope of money—although how the envelope is spent is possibly subject to change—so that you know full well there is money set aside by the bean counters in the Treasury and agriculture has not been forgotten, particularly in difficult spending rounds?

Andrew Clark: That would certainly provide the certainty that we have been looking for. Whether a percentage of GDP or not, we would have to discuss—but that would be an ideal.

The Chair: Thank you. A final question from Deidre Brock.

Q41 Deidre Brock (Edinburgh North and Leith) (SNP): On the points you were making earlier regarding the free movement of goods and produce around the UK and ensuring that that is not hindered, is it not so that in some cases there are already quite significant divergences of approach in regulations in the four countries of the UK?

Andrew Clark: I did not hear the middle part of the question, sorry.

Q42 Deidre Brock: In regard to the point you made earlier about the free movement of goods and produce around the UK and that not being hindered, is it not the case that there are already quite significant divergences of approach in regulations in the four countries of the UK?

Andrew Clark: I do not want the Committee to go away with a misunderstanding. I am not saying that there should be the same policy measures in every part of the UK. There are issues such as food labelling or the use of plant protection products, for example. There is a series and I could provide a minute or an extra piece of

evidence about that. There are areas where we think there is an opportunity for agreed approaches across the UK land area that would not conflict with the absolutely correct divergence of policy practice and measures in each part of the UK.

Deidre Brock I note you used the word “agreed”, not “impose”.

Andrew Clark: I emphasised the word “agreed”. We agreed an approach between the UK farming unions. Minette Batters, my president at the NFU, chairs a UK farming roundtable, and we agreed the type of approach that we would like to see for a common UK agricultural policy, and the topics that should be subject to that, around a table with 15 different organisations and all the UK farming unions.

The Chair: Thank you. I am afraid we must draw this session to a close. I apologise to those colleagues who did not get called. I have made a note and will try to give you priority next time round. [*Interruption.*] No, I am sorry.

Mr Clark, thank you very much indeed for taking the trouble to come. The Committee is indebted to you for answering the questions.

Simon Hoare: On a point of order, Sir Roger. This is an Agriculture Bill; we had 24 minutes with the National Farmers Union, and we had 90 minutes this morning from our first four witnesses. This is not a criticism of our earlier witnesses. As we are seeing additional witnesses from the devolved nations with regards to the NFU, is it possible for our previous witness to submit further written evidence to us, or would he come back? As it is the Agriculture Bill, it is a little out of kilter to have only 24 minutes from the senior policy man at the NFU.

The Chair: I am afraid, Mr Hoare, that these sessions are always a bit “beat the clock”, but it is open to Mr Clark to submit further written evidence, and he indicated that he might wish to do so. I am sure the Committee would welcome it if he chose to do so.

Examination of Witnesses

Christopher Price and George Dunn gave evidence.

2.31 pm

The Chair: Good afternoon. We are slightly up against the clock, as we have half an hour and there are two of you, whereas there was only one of Mr Clark, and there may well be a Division at three o'clock. For the record, would you introduce yourselves?

Christopher Price: I am Christopher Price, and I am director of policy at the Country Land and Business Association.

George Dunn: I am George Dunn, and I am chief executive of the Tenant Farmers Association of England and Wales.

The Chair: We start on the same basis. Minister, do you wish to open?

Q43 George Eustice: We have both landlords and tenants being represented on this panel. One of the key things we want to ensure in the new Bill is that tenant farmers can access these schemes. How do you think that can best be delivered?

George Dunn: In relation to the eligibility for tenants to get into the schemes you are envisaging, we have already shared our personal concerns with you, which were that there was no section of this Bill bringing forward the Tenancy Reform Industry Group changes that were agreed last October, and have been extant for a year now. We are particularly concerned to ensure that tenants are not disenfranchised. Often there are provisions within a tenancy agreement that say that you must have agricultural use only of your land, and there may also be requirements to the effect that tenants must seek the consent of landlords for investment in fixed equipment on the holding, which may not always be forthcoming.

We would very much like to see an amendment to the Bill that provides assurance to tenant farmers that they can seek changes to tenancy agreements if they need to in order to get into new schemes. We also want a definition within the Bill that gives a clear view of what constitutes a potential beneficiary. That beneficiary has to be someone in active management of land of which they are in occupation, as well as taking on day-to-day management control of that land.

The Chair: Thank you, Mr Dunn. Do you wish to add to that, Mr Price?

Christopher Price: I would add to that and contradict some points. The Country Land and Business Association is very much behind the Bill. We have called for a shift to paying public money for public goods for the last 20 years or so. We fully support the core thrust of what the Government are trying to do. Our response to your question follows on from that.

Whoever is delivering the public goods should be the one that gets the money, and if that is the tenant, then so be it; if it is the landlord, then so be it. George Dunn mentioned including the Tenancy Reform Industry Group provisions. I would dispute that these provisions are agreed. They were not. There was still a lot to argue over, and we suggest that if the Government are minded to look at reforming agricultural tenancy legislation in further detail, they should do so through some other mechanism than this Bill. There is some important stuff that needs to be discussed in the context of this Bill, and we would not want time to be restricted, or the big picture to be lost, by talking about what we would regard as ancillary matters of tenancy reform.

George Eustice: That is it for now.

Q44 Dr Drew: Will the Bill bring forward younger farmers, and if we have that as a central point—given the farming community’s present average age—how could it be further improved to bring forward even more younger farmers?

George Dunn: The important thing is to see that this Bill is a scaffold, not a building, so until we see the shape that the Government decides upon for building the building around the scaffold, then it is difficult to tell exactly what will happen. But we are certainly encouraged by the facility within the general framework to have both de-linking and consolidation of payments, which we believe could speed up retirement and restructuring within the sector, to make holdings available to new entrants.

Many of our tenants who let land under farm business tenancies, unlike those who let under the Agricultural Holdings Act 1986 with secure tenancies, would say to us that the basic payment scheme is a cost on their business, because they have to pay that in rent to the owners of the land, whom they want to take the land from. So long as we have a strong arm on the productivity side of this Bill, which focuses on the new entrants and the progression point, we think there is great hope.

Christopher Price: I would agree with a lot of that. Inevitably, if we shift away from basic payments to a more market-facing world, it will create some churn within the sector. Older farmers are likely to decide to move on. That is why it is so important that there is sufficient investment in productivity, so that those who want to start on the farming ladder can get the necessary skills, not just farming skills, but business and marketing skills, which are so important in this sector now.

Q45 Dr Drew: Will rents decrease? Is that likely to encourage people to take up more land?

Christopher Price: I think that rents will go down in the short term. I suspect that, as the productivity improves, and farmers become more efficient and earn more themselves, with the passage of time rents will start to increase a little.

George Dunn: It is interesting which rents you are talking about, Dr Drew. The average level of rent paid on a farm business tenancy for arable land, quoted by the Department for Environment, Food and Rural Affairs, is currently £98 per acre. If you look at rents tendered in the marketplace for land which becomes available in a very lumpy and haphazard way, we could have double those rents being tendered in the marketplace. I suspect that we will see a lot of those very high rents coming down as people readjust to the new world. I think that an average of £98 to £100 per acre for arable land is about sensible.

Q46 Nigel Huddleston (Mid Worcestershire) (Con): Following on that theme, the issue of diversity in British farming is key, because today we will have had 14 people give evidence and all of them have been middle-aged, white men. The average age of a British farmer is now 59, and only 3% of farmers are under the age of 35. What more can we do to make farming a far more attractive proposition to a younger and more diverse population?

George Dunn: I disagree with the premise of your question. I apologise that I am a white, middle-aged male. There is nothing I can do about that. I am here as I am. Regarding the statistics, the average age of a farmer has been 58 or 59 for as long as I can remember, which tells me that we are in somewhat of an equilibrium—that the people joining the industry equate with those who are leaving the industry—because the age is not increasing over time.

I would also say that those who are filling out the forms do not tend to be the ones who are doing the active farming. In the memberships that we both have, we see quite a lot that the younger members of the family do more of the farm work and the older members do the form filling.

We are inundated on show stands and events around the country with people who want to get a start in agriculture. Frankly, we will not be able to give everyone

the opportunity to come in to be a principal in their own right. We are quite keen to encourage people to see farming as an employment opportunity, not just a business opportunity, and I think there is more work that we can do on that front.

The Chair: Thank you, Mr Dunn. I must remember that my job is form filling and not activity.

Christopher Price: I agree with a lot of what has been said. I think that the way the Bill operates will inevitably result in some churn. People will feel inclined to move on at a faster rate than they have. There is no shortage of people coming out of agricultural colleges at the moment. There is a definite desire among a bigger number of young people than has been the case for a while to go into the sector. As George Dunn said, not all of them will be able to become the traditional owner-occupying yeoman farmer of myth, but I think there will be a lot of other opportunities elsewhere in the sector. Again, a lot of this depends on there being sufficient investment for people to get the skills and to be able to do the jobs that will be required in the new sort of farming.

Q47 Kerry McCarthy (Bristol East) (Lab): Can I turn to rents and economics? You said that at the moment a landowner would be charging £98, or whatever the going market rate is, for the land, but they are also getting direct payments on top of that. Is that right, or would that offset the rent payment?

George Dunn: No. In a landlord-tenant situation, it is the tenant who will apply for the basic payment scheme—

Q48 Kerry McCarthy: Yes, but they may be required to pass it on, and we heard evidence this morning that quite a few have to pass it on—

George Dunn: In a number of cases, there is either a direct transfer of a direct payment, from the tenant to a landlord, or the way that the rent is calculated will take into consideration the fact that the tenant is getting direct payment.

Q49 Kerry McCarthy: My question was this: if the landowner is not then getting those direct payments indirectly, will it still be economically viable for them to rent out the land for farming, or will we find landowners choosing to go into other areas, for example tourism, quad biking and whatever it is they do? Or will they just require more money from the tenant farmers, but the tenant farmers will not be getting any more money, because they will not be getting the direct payments?

Christopher Price: It will be a combination of factors. As already said, we anticipate that rents will go down, at least in the short term, while the industry recalibrates itself. However, most landowners, if not all landowners, are already looking at what other opportunities there may be. Some of that will be to go and see what advantage they can take of the proposed new ELM scheme, see what natural capital they have got and see how they can better—it is a horrible word, but I will use it—exploit it under the new scheme. Others will look at how they can diversify—at whether, for example, the barn can be converted into offices, a wedding venue or what-have-you. People are starting to think in a much more market-facing way than was perhaps the case a few years ago.

Q50 Kerry McCarthy: Presumably, if there is less land available for farmers, that will then push up rent prices?

Christopher Price: I would suggest that, say, on every farm—this is talking in averages—there is 10% to 15% where the input costs are greater than the value that is got out of the process. There is a lot of land that need not be used for farming and that could be used for nature in particular, provided that there are sufficient incentives in place for people to do so.

George Dunn: I also think it is important to appreciate that, in the current economic circumstances, the return on capital that the landlord is getting from a rental payment, even if it is £200 per acre, will only be 2% of the capital value of the land that they are offering to let. The reasons for people owning land and letting it out are simply different to the economic uses they are getting from it. So, it might be because they are looking for development into the long term, or they might be interested in using the reserve rights for minerals, for sporting purposes or for other activities.

Also, the tax system within which land is owned is quite beneficial, in terms of agricultural property relief and the ability to claim other relief. So there are other reasons why landlords will still choose to let land, and we have seen the area of land let in this country remain pretty static for about the past 30 years, at about a third. So I do not suspect that we will see a massive shift from the let market simply because we see rents adjust downwards a little bit.

Q51 Chris Davies (Brecon and Radnorshire) (Con): We heard from our previous witness that there is not enough agriculture in the Agriculture Bill. Would you both agree with that and, if so, what would your organisations like to see in this Bill that is not already there?

Christopher Price: The headings are there; the issue is very much how those headings are used in practice. There are provisions to reward farmers for many of the public goods they provide, but there could be more explicit commentary on rural vitality and on the importance of preserving rural communities, because often farmers are at the hub of rural communities, particularly in some of the more remote areas of the country.

There are significant powers in the Bill to invest in improving productivity and that sort of issue. The big frustration is that we have had very little from Government about how they intend to exercise those powers. It is all very well saying that farmers have got to adapt to the new world of delivering public goods, but they have also got to become more efficient at farming, and Government have not given any indication at all really as to how the powers they propose giving themselves in the Bill will be exercised. However, if those powers are exercised in the right way, there is the potential to improve things very much for farmers and the agricultural sector more generally.

George Dunn: It goes back to what I said previously about this Bill being a scaffold, not a building. The issue for us is that we still need to be convinced that we will see the Government use the powers they are making available for themselves in terms of things such as the supply chain issues. The Groceries Code Action Network has put in some evidence to the Bill Committee—we are a member of it—to say how we can beef up some of that section. We are not convinced that the Government

are as serious as they say they are if the Rural Payments Agency is going to be the body responsible for overseeing this particular bit of the Bill. The RPA is perhaps not best skilled for this type of work in terms of the supply chain issues.

We also need to be convinced that the productivity measures are going to be used to the full effect. Actually, the measures reserved for Wales in the schedules of the Bill appear to be better than the ones reserved for England, so we would ask for the Welsh ones to be transposed into England.

On the marketing standards issue, it is absolutely correct that we want to protect our production standards, but if we do not protect our trading positions so that we reject stuff from abroad that is not produced to the same standards, we will undermine our production at home, too. There is an awful lot of hope in the Bill, but not yet too much trust.

Q52 Chris Davies: If a Minister may interpret this set of rules in one way, how concerned are you that, in the devolved nations, there will be different processes going on right around the country?

Christopher Price: Perhaps this is one thing that the Bill lacks: the important thing is to have a UK-wide framework that allows four national agricultural policies underneath it, so that everyone is operating to a high-level set of common rules, but each country has the power to go and decide what it thinks best for its own circumstances.

George Dunn: Obviously, in a devolved world there is great scope for the four countries of the United Kingdom to take a different view of different aspects of this policy. But, fundamentally, we must remember that we are an economic union of four nations, and we need to preserve that for the benefit of the populations of all four countries of the United Kingdom. That will be the key issue—to ensure that we do not impact the ability to trade with one another in a free and open manner.

Q53 Mr Goodwill: Included in clause 7 of the Bill is a provision to allow de-linking of the payments. The example I was given was where a tenant farmer who wishes to retire could take three years' worth of payments, which, together with his live and deadstock sale, would allow him perhaps to clear his overdraft and retire. However, if he hands that tenancy back to the landlord, he is left with land that will not attract any payments for two or three years and the difficulty of attracting another tenant. How would that work in practice?

George Dunn: I am not sure there is a problem in what you suggest. It is not just the tenant's ability to roll up the direct payment with the live and deadstock; the landlord themselves may be willing to give a payment for the early surrender of the tenancy, in order to get vacant possession or to offer the tenancy to a new entrant on a farm business tenancy basis, as opposed to an old-style agricultural holding tenancy. There may be some benefits for the landlord.

Mr Goodwill: We have already heard that a major element of the rent that is paid relates to the amount of direct payments that the tenant—

George Dunn: But we know within the landlord-tenant community that many landlords would like tenants who are operating under the old-style secure tenancies to go,

so that they get vacant possession of the land back. If they offer it on the open market, plenty of people will queue up to take that land, even in the new environment, because to date, lots of those individuals have felt it appropriate to factor the direct payments into the rent that they pay. If they no longer have to do that, the rents will adjust in the new world. We think that the de-linking and consolidation element is a massive benefit to restructuring the industry.

Christopher Price: We were concerned about the proposal to de-link, on the basis that it could de-legitimise the payments. If we are saying that the reason why farmers are given quite large amounts of money is to provide public goods, this takes away that justification. If you are going to do it, it has to be for a very good reason. We suspect that, in many cases, the amount of money that will be freed up will not be sufficient to enable the tenant without more to move on—the amounts of money involved will not be sufficient for that. If the landlord is keen for the tenant to move on, the landlord will have to make a significant investment, too. George Dunn is quite correct on that.

At the moment, we know so little about what the Government are thinking behind the de-linking proposals. It is very difficult to predict how it could operate; on top of all the considerations that George Dunn raised, there is also how it will be taxed, for example. There is an awful lot to go and think through when deciding how it could work.

Q54 Mr Goodwill: I can understand that a tenant retiring would not necessarily be able to afford to buy a house out of the proceeds, but if he was on the verge of bankruptcy, presumably it would be a very attractive straw to grasp.

George Dunn: Again, I disagree with the premise of the question. This is not something to save people from bankruptcy; this is to allow people to make a rational economic decision about their future. At the moment, lots of tenant farmers cannot make a rational economic decision to retire because they do not have a house to go to or another opportunity to take up. We are not saying that this will be the be-all and end-all in that process, but if it adds to a payment that comes from the landlord, or to the live and deadstock at the end of the tenancy, it could be the thing that allows the tenant to make that change.

The Chair: Minister, this may have to be the final line of questioning, because the Minister is on his feet in the Chamber and we might find ourselves interrupted.

Q55 George Eustice: One of the key premises behind the Bill is that, rather than subsidising farmers because there is a profitability problem in the industry, we should try to correct the causes of that poor profitability through grants and fairness in the supply chain. Can you give us some examples of the types of practices that undermine farmers' position in the supply chain, whether it is hidden charges, hidden clawback costs from abattoirs and unfair contracting by dairy companies—the type of things that you would like to see addressed here and might make a difference to your members?

George Dunn: The overarching position is that we already have the Groceries Code Adjudicator, which looks at the direct contracts between suppliers and

retailers. Our concern is that it is not looking below that at the relationships between farmers and first purchasers. The Bill seeks to correct that. We are concerned about the fact that the weight of responsibility on the retailers is not fully shared, because there is nobody looking at the bottom end of the supply chain. We see processors that want to retain their contracts and are willing to take more and more restrictions from retailers or even from food service, and are not pressured enough to get better terms that they can then share with the farmers and those who are supplying them. We want the eyes to be right across the supply chain so everybody acts fairly.

We have seen all sorts of things. If you want a specific example, I was speaking to a lettuce grower who had a contract for a certain number of heads of lettuce at a certain price the day before. He went out to cut them the next day, and then received a call to say that those lettuces were no longer required at the same price and in the same quantity, and yet he had already made the decision to cut.

We want to ensure that there are better and fairer contracts in the supply chain, but this needs to be looked at from farm to table, not in the piecemeal way in which the Bill seeks to do it. It leaves the Groceries Code Adjudicator looking at direct supply chain issues, and it provides another body—it suggests the RPA, which we disagree with—for the other stuff. We think that the adjudicator should have a role over the whole gamut.

Q56 George Eustice: On the concern about the RPA, at the moment it is responsible for things such as carcase classification. Although its brand may have been tarnished by trying to implement a very difficult and bureaucratic EU scheme, it has a breadth of knowledge about everything from school milk schemes right the way through to carcase classification. If the GCA were to do it, it would be funded by a levy, which would have to be funded by the industry itself. What is your concern about the RPA specifically?

George Dunn: You are right that the RPA runs certain supplier schemes, so we are not saying that it is completely unsighted on this stuff, but it has got no history or skill, in terms of contracts, so how do we see it playing a role within the contract environment? It has got no skill or expertise in looking at how supply chains operate from field to plate. Although it might have had a glimpse of certain aspects of it, we do not think it has got the expertise across the piece.

Christopher Price: In addition, the powers that the Secretary of State proposes to give himself under the Bill are really quite strong. I cannot think of many other areas in which a Minister has such powers as the Secretary of State will gain under the Bill. We were pleasantly surprised that the Government proposed taking them. It seems to us that the powers are so significant that it is unreasonable to say that they should be exercised by a non-departmental public body. I would have thought that they are so significant that they are the sort of thing that a Minister ought to be deciding, not someone further down the hierarchy.

Q57 Deidre Brock: We could talk about that for a long time—that is very interesting. You mentioned the drop in rents. Does that imply that you expect a big drop in rural land values?

George Dunn: No.

Christopher Price: No. A couple of per cent.

George Dunn: For the reasons that I stated earlier, the return on capital is only 2% from agriculture anyway, so there are other things driving the capital value of land.

Christopher Price: If you compare changes in the CAP with changes in land values over the last 30-odd years, there is very little correlation, which you would expect there to be. Also, the European Commission has done two reports on this topic in the last 15 years and both said it was impossible to show any direct link between the two.

The Chair: Thank you, Mr Price and Mr Dunn. I am sorry to bring this to a slightly early conclusion, but I am reliably informed that the Division Bell will ring fairly shortly. We will bring in the next witness and at least get him installed.

Examination of Witness

Jason Feeney gave evidence.

2.56 pm

The Chair: Good afternoon. For the benefit of the record, I would be grateful if you would introduce yourself.

Jason Feeney: My name is Jason Feeney and I am chief executive of the Food Standards Agency.

The Chair: Mr Feeney, let us ring the changes and ask the Front-Bench spokesman for the Opposition if he would like to set the ball rolling.

Q58 Dr Drew: What is the role of the Food Standards Agency in relation to the Bill? It is not at all clear.

Jason Feeney: It is not a Bill that strays into our remit significantly. We have not been closely involved in its formulation, but clearly there are areas, for example, such as capturing some of the information at slaughterhouses, which we would need to be aware of and we will be working alongside.

Dr Drew: Should you be more involved in it? If we are going to improve British farming, it is all going to be about quality. You measure quality in the abattoirs and in some of the other things you do. You are there as the guardians of the public duty. Should you have been more involved as an agency in this Bill?

Jason Feeney: We focus our attention not so much on the quality argument but on the hygiene and safety perspective. If we take the example that you mentioned about slaughterhouses and abattoirs, our primary purpose through the work of the meat hygiene inspectors and the official veterinarians is two-fold. One is the hygiene and safety of the production and the welfare of animals up to and including the point of slaughter. The quality focus tends to be more of a business arrangement, in that example, between the slaughterhouses and the customers that they are supplying.

Q59 Dr Drew: Is the Food Standards Agency misnamed? The word “standards” tends to suggest quality.

Jason Feeney: Yes, we get involved with some aspects of definitions of standards. It varies depending on the nature of the food product.

Q60 George Eustice: This is obviously an Agriculture Bill and its primary focus is around schemes to replace the common agricultural policy. Can you confirm whether there are any clauses that you feel undermine your independent ability to do the independent job you have to do? Can you explain the other pieces of legislation from which you draw your authority to implement food standards independently?

Jason Feeney: There is nothing in the Bill that we feel impinges on our independence. Committee members may not be aware we are an independent Government Department, non-ministerial and directly accountable to Parliament. We do our parliamentary work either directly, like this, or through Health Ministers. There is nothing in the Bill that causes us to have any concerns. There are elements that we think are positive and helpful. As you know, Minister, we are very strong around the openness and transparency with which we conduct our business. Our board meetings are held in public. All the papers are published and they are transmitted live on the internet. The collection and more open aspects of data, and the sharing of data, to help to improve standards, quality and safety are things that we are very supportive of.

On the other part of your question, we were set up in the late '90s in response to the BSE crisis. The Food Safety Act 1990 gives us our primary remit, role and authority.

Q61 Tonia Antoniazzi (Gower) (Lab): Does the Bill fail to legislate to ensure that food imported into the UK post-Brexit is produced to the equivalent standards? Will the Food Standards Agency ensure that that happens?

Jason Feeney: In a post-exit world, it is helpful to think about food imports in three different categories. First, there is the food that we import from third countries—non-EU countries. For those high-risk products, which are mostly products of animal origin, but are also certain defined products not of animal origin, we are pre-notified of their arrival and an inspection regime applies. That is EU-driven, and post-exit we will continue, at the point at which we leave—

The Chair: Order. I am sorry Mr Feeney, but I have to suspend the sitting. The expectation is that there will be two votes. If there are, we will resume at 3.25 pm. If there is only one, we will resume at 3.15 pm.

3 pm

Sitting suspended for Divisions in the House.

3.25 pm

On resuming—

The Chair: We were sort of in the middle of a response to Ms Antoniazzi. I am not sure whether you got the answer you required or whether you would like to pick the question up again.

Tonia Antoniazzi: Do you want me ask it again? I cannot remember.

The Chair: You cannot remember—that is a good start.

Jason Feeney: In terms of timing, I can give a shorter answer or a medium-length answer. Which would you prefer?

Tonia Antoniazzi: A precise answer.

The Chair: I think the answer is: answer.

Jason Feeney: If we have a transition period when we leave, our expectation is that the same standards will continue to apply and we will mirror those arrangements with the European Union for the length of the transition period. If we leave the European Union without a deal, the withdrawal Act in essence rolls existing EU regulations into UK legislation, so the standards will be the same on day one whether we leave the European Union with a transition period or with no deal. If there were any changes to those standards, clearly those would be made on the basis of science and evidence, and we would put our recommendations and advice to Ministers accordingly.

Q62 Tonia Antoniazzi: What impact would that have on the devolved nations?

Jason Feeney: I cover England, Wales and Northern Ireland—the Food Standards Agency covers three of the four countries, and obviously we have a close working relationship with colleagues in Food Standards Scotland. Indeed, we spent two days up there last week working with colleagues from Food Standards Scotland. Food safety is a devolved issue. We are developing arrangements whereby the science and evidence is considered by what we call a regulatory forum, in which all four countries are represented and, as far as possible, we come to a four-country conclusion. All the evidence shows that that is what consumers would prefer, and that is what industry would prefer as well, obviously.

Q63 Simon Hoare: What opportunity, if any, does the Bill present to your agency to support the development of more small abattoirs?

Jason Feeney: The agency's charging regime operates a sliding scale of discount. That is the area where we have most impact on small abattoirs. The charges are based on hourly usage of meat hygiene inspectors or official veterinarians. We have a sliding scale of discount where the smaller abattoirs are discounted by up to 80%. I do not think there is anything specific in the Bill that would impact on that particular area, but that is our main interaction with small abattoirs and that is the area that we are continuing to work on with stakeholders.

Q64 Simon Hoare: If there is a drive for more farmers' co-operatives and a greater focus on, say, regional, bespoke agricultural support to reflect agricultural practices and types—or if that is a by-product of the Bill—that should present an opportunity for the agency to have the dynamic to think in a more creative way about how it could support the growth of food of local provenance and its movement from field to plate in a local setting, adding value to a product of which we are seeking to maintain our production levels and volumes. Would you relish the opportunity to help proactively to facilitate that from the regulatory side?

Jason Feeney: Certainly. We know from our research that consumers are particularly interested in that area, so there is a market opportunity there and we are there to ensure the safety and the provenance. When we use our strapline of “Food We Can Trust”, it is not just a safety issue; it is about authenticity as well.

The Chair: Thank you both for coming to give evidence and for bearing with us during the Division. I apologise for having to detain you. The Committee is very grateful to you indeed.

Examination of Witnesses

Dr Nick Fenwick, John Davies and Huw Thomas gave evidence.

3.30 pm

The Chair: We shall now hear oral evidence from the National Farmers Union Cymru and the Farmers' Union of Wales. We have until 5 o'clock, although we might not take that long. Gentlemen, starting with Dr Fenwick, will you introduce yourselves for the record?

Dr Fenwick: I work for the Farmers' Union of Wales. I am head of agricultural policy.

John Davies: I am president of NFU Cymru and a beef and sheep farmer.

Huw Thomas: I am NFU Cymru political adviser based in Builth Wells.

The Chair: Thank you for joining us.

Q65 Dr Drew: Schedule 3 is substantially different from other parts of the Bill relating to England. How do you think the Welsh Assembly did it and what hints can you give us in England to strengthen some of the different issues that we think need to be strengthened in the Bill?

Dr Fenwick: First, I apologise for the fact that I have not spent days reading the Bill. We have our own pertinent issues going on in Wales, so we are very much catching up with the Bill. There are obvious areas where there are differences such as WTO, which might give rise to some concerns. It is certainly a concern for Scotland, and an understandable one. When it comes to what is going on in Wales at the moment, one of our key concerns relates to the similarities between the area in relation to farm support and the transition to public goods payments, which is effectively a cut-and-paste of what is in the same relevant English section. That cut-and-paste from the Bill has happened while Wales is still in the middle of a consultation process about the future of our own payments system, and yet it has been published in the Bill with the approval of the Welsh Government. I apologise for not being completely fluent as far as the detailed parts of the Bill are concerned.

John Davies: There are some key changes and key differences in the English part of the Bill. We are part of a supply chain that employs nearly 20% of people in Wales. Food and farming is a £7 billion industry. It is absolutely vital that those supply chains are efficient and work well, so we support this part and are pleased to have it. Far be it from me to try to influence or advise you on English policy, but we are pleased to see this part in the Welsh part.

Huw Thomas: Dr Drew asked how the Welsh Government achieved this. We have been told that they worked closely with DEFRA throughout the summer on the provisions with respect to Wales. I think the differences between England and Wales are fairly modest. The biggest or perhaps the most apparent is the one on page 30 of the Bill, which gives Welsh Ministers financial assistance in connection with some designated purposes such as supporting businesses or communities in rural areas. That is one that some of my colleagues in England have looked at with a little envy, perhaps, but the differences are fairly modest. Because the powers are

broadly drafted, it will fall to how the Welsh Government choose to utilise those powers following the consultation that is currently taking place.

Q66 Dr Drew: Are you expecting the same payment arrangements? Whatever Administration is in power in Wales, you would expect them to keep to the agreement that the money is secure, certainly for this Parliament and, one presumes, for the seven years after that.

Dr Fenwick: It certainly appears to be the case that there will be great similarities in what happens in England and Wales under current proposals. They will stand in stark contrast to what is going on regarding our main competitors in other countries and Scotland.

Q67 Dr Drew: Does that worry you?

Dr Fenwick: Hugely. They are untried, untested and un-modelled. We have not had an impact assessment. From a legal point of view, I have grave concerns that they may contravene WTO rules. It was concerning to hear our own Cabinet Secretary—last week, I believe—read her response to a written question from the shadow agricultural spokesman for the Conservatives, Andrew R. T. Davies, in which she said that it was not appropriate to inquire whether what was being proposed is legal or not for the World Trade Organisation. That is a grave concern and we are well aware of the sort of problems that can crop up when it comes to the WTO. It is going on with regards to the USA, China and Europe at the moment, including with regard to agricultural goods.

Q68 George Eustice: As a point of clarity, agriculture policy is devolved, so perhaps I can clear up the mystery as to how the Welsh Government did it. They simply asked us to include a schedule in the Bill. Northern Ireland did the same and Scotland was the only part of the UK not to. There was no lobbying exercise or debate. It was a request that was duly accommodated.

I want to probe this point about the WTO. What is it in particular that concerns you? We obviously have an amber box allocation in which we could do market-distorting support if we wanted to, and it is largely accepted that the proposals would be green box. Just explain your concern about the WTO.

Dr Fenwick: Specifically, annex 2 of the agreement on agriculture sets out strict rules in relation to “Payments under environmental programmes”, which prohibit payments that are over and above costs incurred and income forgone. That is an explicit disallowance of such payments, superficially at least. I am not a barrister or a lawyer, but it certainly seems fairly black and white. That is a grave concern given that we have asked for clarification and have not received it as explicitly as we might have liked.

I do not want to imply that it is not legal, but there is an ambiguity around it—payment for public goods is effectively environmental payments, which is what annex 2, paragraph 12 of the agreement on agriculture deals with. It raises concerns that, even if it was legal, it could be used as a vehicle for other countries spuriously to raise barriers to trade and so on. That could trigger a lengthy dispute that goes on for years and has adverse impacts on us. We know from experience that countries tend to use such tools where they become available.

John Davies: A major part of the support for public goods is dependent on moving in that direction in terms of the boxes. That has never been done by any other

country before and we are obviously concerned. We need to see some proof that that has been properly researched and is achievable.

Huw Thomas: I do not have anything to add to that.

Q69 George Eustice: Just a second point on the issue of fairness in the supply chain. Obviously the premise behind the Bill, which the Welsh Government seem to have also adopted through the schedule, is that we should, in the long term, have the objective to move away from an arbitrary, area-based subsidy payment and instead correct the causes of low profitability in farming by strengthening our position in the supply chain. Could you give us your thoughts on that section of the Bill?

John Davies: Obviously we are very keen to see a functioning marketplace. We are keen to see it moved in an orderly fashion. Dr Fenwick referred to our main competitors. Obviously, Europe is a fairly major competitor. It will reserve at least 70% of its budget into direct payments. We are keen to maintain some form of direct payments in Wales because that will allow us to invest in the environment and give us the confidence to invest in productivity and resilience schemes.

We need a balance and to have the opportunity in what is a very changeable marketplace at the present time. We have a great deal of uncertainty and believe there is a need for stability. When we have a functioning marketplace that pays a fair price for what we produce, we are very keen to take advantage of it but, at present, we are some distance from that.

Dr Fenwick: Anything that improves the supply chain has to be welcomed and there are certainly elements of the Bill, from that point of view, that we absolutely welcome, including issues such as farmers working in co-operation. That is a separate issue to the issue of support, which is a grave concern given that a shift even over what superficially appears to be a lengthy period of seven years could effectively just slow down something that has a huge adverse impact, not just for farmers but for those who rely on farms.

Average incomes over the last five or six years for Welsh farms would be maybe £24,000, and yet those farms have turnovers of around £80,000 or £90,000. That money is effectively going out to local businesses that are not themselves farmers but which are reliant on the agriculture supply chain. We have said for the past two years that any such radical changes to agricultural policy should be investigated thoroughly in terms of their impact on the wider, broader and longer supply chains. We live in areas where up to 28% of the working population is employed in agriculture. That is not the number of people who are farmers; that is the number of people employed in agriculture. Any disruption could have a catastrophic impact, which is why we have argued for that impact assessment to take place.

Huw Thomas: I do not have much to add to that other than to offer the comment that it is suggested that the Rural Payments Agency could be the agency overseeing the fairness in the supply chain issue. I am not sure whether NFU Cymru are sure that the RPA might be the best placed agency to do that. I also make the point that the existing principles around exempting producer organisations from competition law need to be rolled forward as well.

Q70 Kerry McCarthy: May I ask about uplands farming and the economic viability regarding the future? I know people have expressed concern about support being withdrawn.

John Davies: It is very important that we recognise the impact on our community, culture and language, because that is something that is very special to upland Wales and all of Wales. That is something that is particularly precious and one of the benefits of a thriving agriculture that can sometimes feel overlooked.

Dr Fenwick: We are concerned that what is proposed would have an adverse impact on all communities depending on their nature and the sector where they are primarily operating. Also, it is a great concern that most upland farms are not the big expansive areas of heathland and common land and moorland that people imagine them to be. Most Welsh upland farms—that is probably about 60% or 70% of Welsh farms—are self-contained units of simply fields. There is a grave concern that a movement to the public goods-type payment would have a huge adverse impact on the farms that cannot cash in on the carbon and the easy wins that you see for some farms that are right up in the mountains. Most hill farms and mountain farms are not the stereotypical type of farm. They are family farms of maybe 100 hectares or so, comprising mainly fields.

John Davies: We have some concerns around the tenanted sector too. Roughly 30% of Wales is in the tenanted sector. Would they be bypassed by the opportunity of public goods? That was highlighted in an earlier answer. We would be deeply concerned about that because young people need support and we would not like to see that taken away from our communities and possibly to other parts of the country or to trust funds or whatever.

Q71 Kerry McCarthy: Changing tack completely, in terms of the trade deal scenario, Welsh lamb is a pretty important product. We have heard noises from Australia and New Zealand in particular about what they would like to see from a future trade deal. I know it is not specifically in the Bill, but is there anything we can do to protect it—the Bill goes to the heart of protecting standards and not allowing imports in. What impact do you think that would have?

John Davies: I think it is broader than lamb, to be honest. It is about not allowing products that have been produced to completely different standards to those that are allowable here. We respect those standards. Obviously, we do not want to start producing hormone treated beef or chlorinated chicken or any of those things. It is really important that the Bill is robust in that way and does not allow that opportunity to be changed.

Huw Thomas: In that regard, the Bill may have missed something. This could have been the vehicle for making a statement about those standards and insisting that imports are produced to the same standards as our domestic products going forward.

Q72 Kerry McCarthy: Something like a non-regression clause in future trade deals?

Dr Fenwick: With trade, you have the potential of a double whammy in terms of losing access to EU markets due to the height of the barriers that may come into place plus the potential for more imports of cheap produce. Given such uncertainty—there are dangers for

the sheep industry in particular, but also for other industries—we firmly believe that now is absolutely the wrong time to add uncertainty by implementing the biggest changes to the underlying principles of rural payments since the Agriculture Act 1947.

Q73 Kerry McCarthy: One last question. A story broke today about 300 cases of salmonella poisoning in lamb products and the Food Standards Agency warning people to cook their meat more. I did not get a chance to ask the Food Standards Agency witness, but do you think we are doing enough to enforce food safety standards in this country at the moment? One of the concerns that has been expressed about the Bill is that there is no regulatory baseline and there might not be enough enforcement and monitoring. How do you reward people going a bit further, if you are not monitoring whether people are actually adhering to the legal standards?

John Davies: Honestly, I am not the best person to answer that, but I think that consumers take safety as a given. Obviously, we have a great deal of confidence in the Food Standards Agency. Many changes have been made over the last 20 years. I started farming in 1986, which was a major period of change. We are subject to some of the most strict rules and regulations.

Q74 Kerry McCarthy: The number of cases has risen significantly, which is why it has been reported. Do you have a feeling as to why that is?

Dr Fenwick: No, but the detection, containment and restrictions on most farms are testament to the fact that we have a very good system of detecting problems and clamping down on them when they do occur. Going back to your initial question, the concern would be if we opened the floodgates to places where their standards fall well below those that are a legal requirement here, then we open the floodgates to far worse problems than we would ever see in the UK.

Q75 Colin Clark: I am a little bit concerned. We share similar issues in Scotland, where we have a lot of upland farms. If tree planting was too generous, we could lose a lot of upland farms. Also, the measurement of carbon sequestration for grassland and the sheep eating it is a very different thing to measure compared with trees. Are you worried that if the policy is too generous, we could lose land to trees and never get it back? What would you like to see in the Bill? Is there some sort of balancing priority that gives equal status in your mind to food and farming?

Dr Fenwick: I referred earlier to the biggest changes since the Agriculture Act 1947. Those changes are the fact that we are moving away from what we currently have, which is an active farmer rule. Notwithstanding all the different changes that have happened since we went into the EU and moved away from the Agriculture Act and had various different CAP reforms, we have still ended up with an active farmer rule that is underpinned by the principles that were originally in the 1947 Act, were later incorporated into the treaty of Rome and are now in the Lisbon treaty. Those principles are about ensuring that active farmers receive the bulk of payments, which can then be distributed through rural supply chains and more widely.

We are moving from that system to what the Welsh consultation calls an “open to all” approach, under which someone who lives in London and fancies buying a bit of land in Wales to plant trees can claim money for

doing so, while making no contribution to the local economy, the local schools or the local community. We saw the same thing happen in a different way, which we hope will not be repeated, when vast areas of Wales were bought up by private forestry back in the '70s. We also saw it when entire communities, including schools, chapels and hundreds of farms, had their land planted up by the Forestry Commission. That is an acute concern.

Europe is tightening up its active farmer criteria to prevent people outside the industry from accessing money, because it recognises the key part that farms play in distributing money in rural economies. I am afraid to say that it looks as if we are moving in exactly the opposite direction.

John Davies: It is a very fair question. A simple, one-dimensional answer is that, yes, planting trees can mitigate the carbon challenges, but I think we need to be seen as part of the solution. There are many things we can do to improve our carbon footprint, and we are up for engaging with that challenge. In the past year or so, at home we have planted 10,000 trees in corridors for protecting hedges and the like, and it has worked really well.

I farm in partnership with the environment. It is an indivisible part of my business, so it is not a binary choice. My wish, my desire and my *raison d'être* is to hand on my business in a healthier state than I received it. That is no criticism of past generations; it is just the challenge that we face. We have the opportunity to be carbon free by 2050. We need to ensure that all of those mitigation choices are utilised, rather than taking simple, one-dimensional options.

Q76 Colin Clark: Do you feel that food and farming have the right balance in the Bill? Is that what you are concerned about?

John Davies: We need more balance. We need more recognition of the challenges we face, and we need carbon mitigation to be given more of an opportunity.

The Chair: Have you anything to add, Mr Thomas?

Huw Thomas: No.

Q77 Dr Drew: We know about the differences between Ulster and the Republic, but there are places where farmers farm on both sides of the English-Welsh border. If there is a different system, what problems could that present?

Huw Thomas: I do not think that those problems have to be insurmountably difficult. We have different regimes for TB cattle controls, which can sometimes cause problems. There are cross-border holdings, but the England-Wales border is pretty well integrated in terms of farms, especially compared with the Scotland-England border. We have had different arrangements, which does cause problems from time to time—farmers on the border often face a delay in receiving their payments—but if the Governments of England and Wales work together more closely, I think a solution can be found. It does not have to be a problem; it just requires the political will to work closely together.

Dr Fenwick: As Huw pointed out, we already have different systems—very different, in many respects. That has been the case since 2005. What we see as the prime problem is not the difference between the systems, but—I

am afraid to say—the implementation of the system on the English side. Our members who have land in England invariably face delayed payments because of delays in the Rural Payments Agency sending data to the Welsh payment agency.

Q78 Deidre Brock: The CAP payments operate to a seven-year cycle. Could you share your thoughts on the suggestion that future payments might be tied to the Westminster budgetary cycle? If farmers are lucky, that might be three to five years, but the Government might change and the money flow might stall as a result. Can you tell us about your concerns on that issue and set out your thoughts on what sort of mechanism might be used to resolve it?

John Davies: Obviously, we need a long-term, multi-annual framework to deliver support, because farming is not a short-term business. For instance, sheep that are going to the tup now will be sold in a post-Brexit marketplace. That is very short-term. We plan in generations, not years, so the longer it can be and the more robust model we can have to allow that would be useful. We are not entirely clear on any solution, because we recognise that future Governments are not bound by the previous Government, but that is a real issue for farm support going forward, because it is a long-term business.

Dr Fenwick: I agree. We have been dealing with multi-annual EU budgets for a very long time and they tally far better with farming calendars. The risks that having fluctuations on an annual basis would bring would be huge.

Q79 Chris Davies: First, may I declare that Mr Davies is a constituent of mine and that the Bwlth Wells office of NFU Cymru is based in my constituency?

If I may, Mr Thomas and Dr Fenwick, I will just pick you up by saying that there are not that many cross-border issues. Given that Brecon and Radnorshire share 65 miles of Offa's Dyke, there is a lot of cross-border and I hear of great difficulties that arise on both sides of the border, with both systems, so I would not necessarily say that it is all one way.

Dr Fenwick: I am afraid to say that, on an annual basis, in terms of the payments, it is routinely the RPA that fails to provide data to the Welsh payment agency and that causes delay. Wales has an exemplary record when it comes to payments. It releases about 95% of payments on 1 December annually. I think we are the best in the UK, maybe apart from Northern Ireland, so I am afraid to say that that is not our experience. Many of those 600 cross-border farmers are members of ours and they are the ones who phone me when they do not receive payment, and they are struggling.

Chris Davies: We will agree to differ on that one.

Huw Thomas: There is an issue with cross-border farms but what I was saying was that such issues are not insurmountable with a political will to get over them. Yes, there are farmers—hundreds of farmers—on the border who suffer every year from delayed payments, simply because they have one foot in England and one foot in Wales, but given the political will, I think these problems could be solved. As Nick has said, the Welsh Government have a good record when it comes to paying promptly and on time. Often the problems will lie with transferring the data from the English side.

Q80 Chris Davies: Were the unions pleased or disappointed that the Welsh Government aligned themselves with this Bill?

Huw Thomas: The Welsh consultation came out in early July and then the Bill came out in mid-September, so their publication was not synchronised. However, it is quite obvious that they are different sides of the same coin. Obviously, a consultation is predicated on a piece of legislation that has been put through the UK Parliament, as can be done. The Welsh Government have expressed a desire to provide specifically Welsh legislation in due course for a Welsh agricultural Bill, so they may well revisit some of these provisions.

What we were anxious to see was some certainty and continuity at quite a volatile and unstable time. In that regard, at least we have a starting point for a discussion around what shape future agricultural policy should take in Wales, and we are starting from the fact that we have a lot of concerns about some of the content.

Q81 Chris Davies: A very good political answer, Mr Thomas, but was the union pleased or disappointed that the Welsh Government aligned themselves with Westminster?

Huw Thomas: I do not think we took a view. I do not think we had a member discussion about how people felt about that. There was a lot of anticipation—this consultation was long anticipated. We have done an extensive member engagement exercise over the last few months. We are coming to the end of that process and we will be putting in a comprehensive response to the consultation.

The Chair: Mr Davies, feel free to respond to your constituency MP.

John Davies: Thank you, Sir Roger. Perhaps I can have slightly more freedom, being president. I regularly sit round a table with the presidents of Ulster, Scotland and England. In Wales we are very keen to see the best policy being copied or used, whichever country it comes from. We need to ensure that that fits the bill for the needs of Wales, which are unique and rather special. We need a bit of flex within a UK framework.

Dr Fenwick: It is important for me to say that we were extremely disappointed. As has been made clear, we are opposed to what is proposed in England and Wales. It is untried and untested, and there are big questions about its economic viability and impacts, so naturally, it was a grave concern. The Minister is aware of our concerns; we have discussed them on many occasions. We had hoped that Wales would do what it has done in the past, which is to undertake detailed modelling and work out what is best for our rural economies, rather than simply follow England's lead.

Q82 Jenny Chapman (Darlington) (Lab): Another way of asking the same question is: how would you have felt if the Welsh Government had declined to take part and had not asked for a schedule to be included in the Bill? How do you think that would that have gone down?

Huw Thomas: That is the position that Scotland finds itself in. It is a difficult position, because it does not have anything to consult on, to discuss with its members or to try to formulate a policy from. It is a bit invidious, I suppose. It is quite aligned with DEFRA. We have our reservations about what is proposed, but we need to move forward somehow.

I hope that the consultation that the Welsh Government are undertaking is a genuine consultation where all options will be on the table and where they will be prepared to listen, because our members are concerned about several things contained in the document. We are working closely with our members and gathering a view on it.

Q83 Simon Hoare: We heard from an earlier witness that 40% of UK lamb is exported to the continent, but we also heard that domestic consumption of lamb is reducing. I should declare an interest: I am a Welshman. After north Dorset lamb, I think that Welsh lamb is the second-best available to consumers—I want to ensure that that is on the record.

What opportunity, if any, do you think the Bill presents in terms of its ambition to support food production and to allow farmers to come together to better promote their produce in a more patriotic way, free of the EU guidelines that have often acted as a dampener on the patriotic promotion of provenance? What scope is there in the Bill and in the envisaged regime for supporting innovation and productivity?

John Davies: You are right to pick up on product innovation, which has been sadly lacking in the lamb sector, because they consider it easier to add cost than value in those things. That is something that we have to adapt to with the modern consumer, because we are seeing year-on-year reductions. We accept that challenge and we need to move forward with it. There are some good things in the Bill about producer organisations. Obviously, we would like to see a stronger focus on product development and innovation and how we can support that.

Dr Fenwick: I agree entirely. Those elements of the Bill have to be welcomed, and we certainly do welcome them. The trouble is that, while that is happening, there is a risk that another Department or another part of Government is opening the floodgates to cheap imports. Effectively, there are elements of the Bill that tighten up our own production standards and so on, but meanwhile we are opening the door to cheap imports. It is fine for the middle classes who decide to buy their organic burgers or whatever they buy, but I am afraid that most consumers shop in less salubrious supermarkets. They buy quality food because we are in the EU, but once we have trade deals with other countries, there is a big question mark in terms of the cost of production in other countries and the degree to which, for the bulk of food, it could undermine our market.

Q84 Simon Hoare: Quite a lot of Wales is covered by a national park designation, so we have the national park, the Welsh Assembly and Westminster and the Department for Environment, Food and Rural Affairs. Do you see the national parks as being a useful string to the bow in terms of fostering and supporting agriculture, or are they a potential irritant? *[Interruption.]* I can tell by the whispering that I have hit a chord.

Dr Fenwick: I was asking Mr Davies whether he farms in the national park—I could not remember.

John Davies: I am adjoined with the military base, so we are just outside it. I think there is a need for best practice, which is in place in some national parks, to be replicated throughout Wales, because they must be a support for the communities in which they are based rather than a hindrance. There is a real need to get policy aligned

throughout Wales and considerable improvement could be made in some of the national parks. I will not comment much further than that.

Q85 George Eustice: I want to ask specifically about the Bill and the difference between the schedule for Wales and the main Bill, which, when you boil it down, is paragraphs 1(2)(a) and 1(2)(c) of schedule 3. I do not need anyone to look it up—I can explain where it is. Broadly speaking, all that does is give Wales the power to support businesses or communities in rural areas and also to support persons involved in anything from the processing, marketing, or distribution of products derived from agricultural activity. Coming back to Dr Fenwick's point, are you pleased with these additions or not? You talked about the importance of an active farmer test and making sure that the money goes to farmers, but the additional measures in the Welsh schedule open up the possibility to give money to post offices or any other type of rural community business. Do you support that or not?

Dr Fenwick: If that is the case, that is welcome. Those pieces that effectively reflect the English text appear to be, as John described it, one-dimensional in terms of facilitating a movement from the current system to a payment for public goods system. That is the main focus of the Welsh proposals that are currently being consulted on and, indeed, the English proposals that are now in the Bill. Obviously, we have concerns about that, because effectively it is revolution as opposed to evolution. It is not an evolution if it is a transition to something that is, effectively, revolutionary and has never been done before. As I say, I am not a barrister or a lawyer, but there are big questions about how much that ties the Welsh Government down, if they were to decide to take a different course and perhaps reflect what is happening at an EU level or what is happening in Scotland or Northern Ireland.

Q86 George Eustice: Have the Welsh Government given you an indication of how they intend to use those additional powers? It could mean giving direct payments to farmers, or giving grants and money to people who make jam or cider or other novelty food process products.

Dr Fenwick: In fairness to the Welsh Government, their focus is quite rightly on their consultation at the moment. That is the best indication we have of what they would like to do in Wales, which has an element of that type of direct support for businesses or economic resilience, as they call it. Clearly, the main focus is on moving away from support for farmers to a payment for public goods. On that issue I would highlight a major concern that we have, which is that Wales currently has a cap on its payments. As a union, we have supported capping agricultural payments since 2007, since the CAP Health Check.

At the moment it does not appear that capping is going to feature in England or Wales as regards public goods payments, whereas on the continent in the EU they are looking at bringing in lower caps to try and push money down to family farms. Our concern is that not having capping will move money away from family farms to private individuals, large companies, charities and so on, with no cap on how much money those businesses or charities—or whatever they are—can receive. We believe that it is absolutely the wrong direction of travel.

Q87 George Eustice: It is an interesting point. The additions in the Welsh schedule could be read both ways. If you are worried about an active farmer test, then arguably you would not want that.

Huw Thomas: They can be. The powers throughout the Bill are pretty broad, enabling powers. There is always an element of risk with such powers as to how they are utilised by Ministers. A lot of policy discretions are conferred upon Ministers, including financial discretions. The devil will be in the detail, as always, but there is not much detail in the Bill. It has to be read in conjunction with the consultation and the further policy statements from the Welsh Government next year, as well as the direction of travel they are wishing to take. It is difficult to say at the moment, but I do take your point.

Q88 Ben Lake (Ceredigion) (PC): I have two questions, if I may. You have already mentioned the powers granted in the Bill to UK Ministers. Do you have any thoughts about the impacts that some of these powers might have on Welsh Government, and their ability to formulate agricultural policy? Are there any aspects that you welcome? Are there any aspects about which you have concerns?

Huw Thomas: I think the part 7 clause 26 powers around the WTO, for example, could be concerning, because potentially they will artificially constrain the type and level of support that a devolved Administration might be able to pay because of considerations around the WTO. That may be one issue where there is potentially something that risks becoming contestable or contested in the future between the UK and the devolved Administrations.

John Davies: Obviously a UK framework is vital, not by imposition but by agreement. We need to get to the dispute resolution part of that, and clearly work out how those issues might be resolved. At the present time there is not that much clarity.

Huw Thomas: It is a proposal to take powers into the centre. It is not the common consent common framework that we, as NFU Cymru, always envisaged and espoused. We always said that we recognised the need for common frameworks, and that limits needed to be set on certain things, but they need to be decided by common consent, not imposed from the centre. With respect to the WTO provisions in part 7, the UK Government and the devolved Governments need to get together and agree between them, rather than having this quite heavy-handed approach that involves proposing to take these powers into the centre, and accepting the Secretary of State for DEFRA as the ultimate arbiter of who gets to do what.

The Chair: Dr Fenwick, *Hansard* cannot record nodding, but I take it you are agreeing.

Dr Fenwick: I have nothing to add; I agree entirely.

Q89 Ben Lake: In that sense, are you surprised that there is not more in the Bill? Is there something that you would have liked to accompany the Bill in terms of progress made on these common frameworks and how they might be agreed upon in future? What strikes me is that not only will you have the initial discussion about how the original of the first new frameworks will operate, but there will inevitably be a need for these things to be renegotiated at a future date. Is it something that you would have liked to have seen?

Huw Thomas: I think there was an expectation that there may be more in the Bill about common frameworks and how they might work. There was agreement in the spring around 24 identified areas that would require some sort of common framework, whether a statutory common framework or a memorandum of understanding between Governments.

I do not feel that we have moved forward enormously from that point. We need to get these things in place if we are to preserve the integrity of the UK single market and ensure that we are not distorting between the home nations. I was perhaps a little bit surprised that there was not provision. We perhaps had not moved forward a little bit from the position in the spring around the 24 identified areas.

Dr Fenwick: I agree entirely. We absolutely need those mechanisms and systems to arbitrate, to work out what is right and wrong. That is something that we have argued for the past two years. We certainly welcomed the announcement in recent weeks that there will be a review of how money is allocated between the devolved nations, and that is absolutely needed. It is a contentious issue—there is no denying that—but it had to be addressed.

We also need almost a parallel process to look at how countries agree on frameworks—whether it is through memorandums of understanding, rather than nations feeling or knowing that things are being imposed on them, against the spirit of devolution.

Q90 Ben Lake: The Minister might remember my raising this question last week. Recently, a review was announced into the way in which payments will be allocated across the four countries of the United Kingdom. Would it be fair for that to include an element that looks at the future frameworks and how any disputes are arbitrated, and when reallocations come along in several years' time, how they then come to be decided as well?

Dr Fenwick: It may be opportune to extend the remit of that Committee. We always hope it goes the way that we would like it to go. It certainly needs looking into because we worked for so many years with a council of Ministers. We now have a void, a vacuum, where there is potentially a free-for-all, and countries or nations could move in very different directions and cause market distortions internally, without anything to do with WTO. There could be internal market distortions that are not in anyone's interest.

Q91 Trudy Harrison: I represent a Cumbrian constituency that is made up of English Lake district upland farms and coastal lowland farms. My sheep, beef and dairy farmers inform me that they receive about £70 for a lamb, £50 for a sheep and just 90p for wool per head and 29p for a litre of milk. Is that enough? What assessment has been made of what a fair price is? Does the Bill enable farmers, through innovation, through the reduction of supply chain, through enabling better local markets, to receive a fair price for their public goods?

John Davies: There could be more in the Bill in terms of how we get a fairer share of the retail price, because we are at some historical lows, once again. Milk is slightly better than what it has been, but we are close to breaking even in nearly all of those commodities.

We need to take responsibility as well, mind, to become more efficient. The biggest factor is within my own farm gate; we do not shirk that responsibility, but

we need to find ways in the Bill to ensure that other people are operating to similar standards. If we compete on a level playing field, we have an opportunity to do that. We have a higher welfare aspect and environmental aspect and that is a cost that has to be taken into account.

Q92 Trudy Harrison: Do you feel that the Bill as it stands does allow for that change to happen?

Huw Thomas: There are certainly powers within the Bill that would potentially see the strengthening of the farmer's position within the supply chain. At NFU, we have been calling for more transparency around price reporting for some time.

Because the powers as drafted are so broad, I suppose it ultimately comes down to how they are used. There is scope to do some good here, but we need to ensure that Ministers go away and use the powers that they are granted to do that good for the supply chain. As John said, we do not know what sort of situation we will face post Brexit but we could face the very difficult situation of imports coming in produced to lower standards than in our domestic production, further undermining our prices and marketplace returns.

Dr Fenwick: It is worth noting that the current system is the latest incarnation of a system introduced after the war, which has reduced household expenditure on food by half since the 1950s. That has freed up money to allow people to go on holiday and what not. People spend less of their income on food now than they had to over the years. That is the result of a system that is specifically aimed at giving people plentiful, safe food at affordable prices. I am afraid to say that we now face a situation where that direct link between farming and food production is being removed. It is less direct than it was, obviously, but it is proposed that it be removed, and a quid pro quo is needed to restore the cheap food that we have managed to secure over the years.

In terms of many supply chains, yes, you can make the most of middle-class markets and local hotels and we see a lot of great innovation going on with farms—I am sure you see the same in the Lake district—but the fact of the matter is that the vast majority of our produce goes on to what is effectively a global market or an EU market, and we are competing against people from across the EU, across the UK and so on, as regards quality, but a bulk product that is going into our supermarkets in this country. That needs to be taken account of—that we are competing against other people.

If, as some people say, agricultural support is so bad for agriculture and holds us back so much—I agree with John that elements of that are true—one would question why, if it is that bad, it is regarded by the World Trade Organisation as something that should not be allowed and should have limits on it. That would suggest that the WTO has missed the point, but I do not think that that is the case; I think some of us are missing the point.

Q93 Sandy Martin: The Bill has already been characterised today as a scaffold rather than a building. It gives Ministers very wide discretionary powers, and most of the effect will be given by regulation. Yet there is very little statutory expectation of consultation. Would you feel more comfortable if there were more statutory consultation in the Bill?

Huw Thomas: Clearly, we are reading the Agriculture Bill in conjunction with the “Brexit and our land” consultation that is taking place in Wales. They are not synchronous, because one came out before the other, but you can see where the direction of travel has been set.

Q94 Sandy Martin: Sorry; I meant consultation on the regulations that will give effect, rather than on the Bill itself. Clearly, consultation on a Bill that does not specify exactly what will happen is one thing. Consultation on the regulations that will specify what will happen is surely something that you might welcome.

Huw Thomas: The Welsh Government have said that they will publish a White Paper early next year that will flesh out what they are consulting on at the moment, which will derive from this. In effect, there will be a consultation around that. Certainly, there would need to be further consultation before Ministers took some of the powers forward and utilised them, because they are so broadly drafted in the primary legislation that they could allow such a range of actions to be taken under their provisions. There has to be consultation with industry and stakeholders following that.

Dr Fenwick: I agree. It is part of a transparent, democratic system to consult. I do not mean on every occasion, on every tinkering, but when it comes to things that have an impact on jobs, people’s lives and so on, those should be consulted on.

Q95 Mr Goodwill: Farmers in other European Union countries have perhaps been more successful than farmers in the UK at attracting the capital funding that the Minister described in schedule 3. Given that those farmers have some very well organised and very large farmer-owned co-operatives that can not only get funding for processing, marketing and grain storage, but are big enough to square up to the supermarkets and other customers, how well organised are co-operatives in Wales, where you have lots of small farmers so co-operatives work very well? Do you see the capital funding going to the industry that the Bill would allow being a good thing for farmers, and would you see them as a preferred bidder to commercial companies that would be doing the same sort of thing?

Dr Fenwick: I agree. My first job this morning, before I got on the train, was to go down to our farmers’ co-op. It has branches all over the west side of Wales, from north to south, and employs large numbers of people. My grandfather has been a member of that co-operative since 1947, and it is one of a number across Wales. We sometimes forget that they are even co-operatives, but they do exist, and there are plenty of them in Wales, across England, and into Scotland.

I would guess that some of the funding made available to European co-operatives comes from rural development funding. We have an incredibly low historical allocation of rural development funding from the EU, as a result of our having handed it over as part of the CAP negotiations in the first part of this decade. We gave up what we were entitled to, effectively, when there was an equalisation process, which was obviously disappointing, and for that reason we have high modulation rates, particularly in Wales. As I am sure Mr Davies is aware, that is a big bone of contention, and it is to fill a gap that we have in our funding. It should not be forgotten that European businesses and farmers have access to far

more funds when it comes to direct investment and support, because they make more use of a larger rural development programme budget.

John Davies: You are absolutely right in identifying the balance of power in the marketplace. We have been successful in terms of supply-side co-operatives in Wales, but we have not been as successful as the likes of Müller, Kerrygold and other co-operatives in other parts of the EU. We have to look at how this could work, and help and support that in the Bill, because there are opportunities to focus more on new product development. Having travelled to New Zealand and seen how a real focus of the farmer-controlled meat operations has been new product development and accessing new markets, over and above shareholder return, there are lessons to be learned from other parts of the world. You are absolutely right to identify those opportunities in the Bill.

Q96 Mr Goodwill: Do you think that because in the past, we have had a deficiency payment scheme—or, for some commodities, intervention buying—farmers have been less on the front foot? For example, we could sell skimmed milk powder and butter into intervention, when other countries were developing new products.

John Davies: Having travelled to France and other parts of the world, there is a different approach to co-operative marketing, and we can learn some of that sticking-together principle more effectively. There are lessons to be learned. We need to look at how to do it. I do not think that is because of the deficiency payment; I think there is a slightly different mindset in the UK. We are slightly more independent, possibly. One penny will break a co-operative. I have had experience of being involved in a different farming co-operative in the past, and a 1p difference in your base price will break a co-operative.

Q97 Mr Goodwill: Would you say that the provisions in the Bill give a great opportunity for farmers in Wales to take advantage of this sort of scheme, which will then extend markets and take on the competition that may be coming in from abroad?

John Davies: Absolutely. We need to look to each and every lever we can pull, and there is scope within the Bill to utilise those opportunities.

Dr Fenwick: It requires the political will to use those levers appropriately, and I am afraid to say that in the past, we have not seen that political will when it comes to some co-operatives and some farmer-owned businesses. We have seen bodies broken up, effectively, because it is perceived that they have too much power, and that is the opposite of what we would like to see in terms of empowerment of the industry. We need to make up for that huge imbalance that has developed over the last 30 or 40 years in terms of the supermarkets.

Q98 Deidre Brock: I have a quick question about the consultation that the Welsh Government are conducting at the moment. Does it include proposals around the capping of payments?

Dr Fenwick: Only with regard to the capping of basic payments during a transition period in order to move money over to a public goods scheme. If I recollect correctly, there is no reference to the capping of payments, which is something that we have raised repeatedly. Indeed,

some have told us that there should be no cap on payments, which is a huge concern because we saw capping as a great movement forward in terms of the reputation of what is currently the common agricultural policy and in terms of the reputation of the industry.

Sadly, when we see headlines in newspapers about millionaires or racehorse owners getting huge payments, we are all tarred with the same brush. People do not realise that in Wales they took the progressive move back in 2014 to cap agricultural payments. We appreciate that the CAP legislation was not designed as well as it could have been in terms of making it possible in every country; we appreciate that England had problems from that point of view, but it is a massive backward step not to have capping.

Q99 Ben Lake: Another quick question. We have spoken a lot about what is in the Bill today. Is there anything you would like to see that is not there? I have in mind the meat levy. There was some discussion in Wales about the possibility of including that in the Bill. Do you have any views on that particular omission and is there anything else you would like to see in the Bill?

Dr Fenwick: Certainly, there has been a lot of discussion about how this could have been an opportunity to take account of the fact that Wales is currently losing money through the red meat levy legislation. We appreciate that some moves have been made to address and correct that, but it is far from ideal. We lost hundreds and hundreds of thousands of pounds when a single slaughterhouse closed a few years ago, and that hamstrung our meat marketing body hugely in terms of how it could market its meat, whether in England or on the continent. So it absolutely needs addressing. Certainly an opportunity has been lost there.

In terms of other elements, I am afraid I am more concerned about what is in it than what could have been in it.

John Davies: We want to see agriculture in the Agriculture Bill. We want to see a real, strong focus on the active farmer and how that comes through in terms of a sufficient degree of self-sufficiency. That would be useful. We see food security as a public good or a public right. That is vital. So there are a number of issues there. We want a safe and traceable domestic food supply. We want equal standards for imports and a level playing field, so that needs to be tightened up. There is an opportunity around public procurement. There is a real, strong opportunity around better labelling. It is vital that consumers are properly informed about their purchasing decisions. So there are a number of places there where we can see room for tightening and more detail. It is broad enough. We just need to focus in on that.

Q100 Chris Davies: You probably heard the talk earlier about how there could be a compounded payment in the transition period. Do you think that would work in Wales and would it be a benefit to many of our senior farmers who were looking to retire? Do you see it as a benefit or not?

John Davies: We would have some concerns around that in terms of the active farmer. We do not accept that it will be the correct and proper time to transit out of direct support or a level of direct support, so obviously we would not agree with that. That option has not at the present time been flagged up strongly in the consultation,

so we need to focus more on that, with the membership, but initially we would say no, we would not be supportive of that.

Dr Fenwick: I am afraid I was on a train, or on a tube train maybe, when that was raised, so I did not hear the discussion around it, but I agree with John Davies that it is a concern. We would have preferred to see some proactive moves to encourage young farmers and a transition from the older generation to the younger generation, with greater succession, etc., rather than moves which potentially leave vacuums, but are done for all the wrong reasons rather than being something that actually ensures that there is an incoming generation that probably is more deserving of any moneys.

Q101 Tonia Antoniazzi: Following on from Mr Davies's question—he is good at taking mine—what impact will the transition period in the Bill have on farmers in Wales, directly? Will there be any?

John Davies: It will have quite a major impact if transition is too quick. We have the opportunity, under the Bill, to transition over a seven-year period. I think the key thing is where we transition to. That is all part of the consultation at the present time. Until that is finalised and until we see the clear path there—I don't mind transitioning more quickly to something that is desirable, but if not, obviously I want to take as long as possible. We have a seven-year plan at present, with the option to extend, and it is important that if things change we take the opportunity to pause and reflect, to see whether that is workable and whether the money has been well spent or not. There are flexibilities in the Bill.

Dr Fenwick: I am afraid we do not know what we are transitioning to in terms of its economic impact on individual businesses, on the supply chain, on rural jobs, and some urban jobs—indeed, in slaughterhouses and places like that. As John said, if it is transitioning potentially to something negative, we want to take as long as possible. You don't want to transition away from a car to a bicycle; and we really do not know where we are going at the moment. It is extremely concerning.

What is being proposed in Wales, potentially: it will just be a slower death, maybe, for some communities if our worst concerns are realised. What we would say is that before making any suggestion of such a move, that detailed assessment has to be undertaken. It is no good trying to stop halfway through when you have lost 20% of your rural businesses and unemployment in rural areas is on the up. You simply need that impact assessment.

The Chair: I think, maybe, a final word, Mr Thomas?

Huw Thomas: I do not have much to add to the comments made by my colleagues there, but yes, a transition needs to be extremely carefully managed; otherwise, you risk doing some pretty significant collateral damage to the industry.

The Chair: If there are no further questions from Members, may I thank the witnesses for their evidence? Dr Fenwick, Mr Davies, Mr Thomas—do you want one final word?

Dr Fenwick: I did want to put in a final word in regard to the transition period. We have a huge concern which relates to the fact that in Wales contracts are proposed for individual farmers. Our experience with

regard to the administrative burden that that represents for the authorities does not fill us with any great hope that it would work well. We are talking about potentially trying to get in place tens of thousands of contracts in a short period of 18 months or two years. It has taken us seven years to get 3,700 complex contracts in place, yet we are now talking about potentially getting tens of thousands in a period of years, and introducing a system that would be far more burdensome for our administrators than the one we currently have.

The Chair: Thank you very much for coming. Thank you for your evidence. Have a safe journey home. We are grateful to you for the answers that you have given to all members of the Committee.

Ordered, That further consideration be now adjourned.—(*Iain Stewart.*)

4.39 pm

Adjourned till Thursday 25 October at half-past Eleven o'clock.

Written evidence reported to the House

AB01 John Greenshields	AB10 Tenant Farmers Association
AB02 Sophie Hyde	AB11 British Veterinary Association (BVA)
AB03 Kathy Keeley	AB12 Dairy UK
AB04 Sustainable Food Trust	AB13 Mrs Catriona Cook MBE
AB05 Arla Foods UK	AB14 The Trails Trust (TTT)
AB06 Countryside Alliance	AB15 Mid & West Berks Local Access Forum
AB07 Dawn Grocock	AB16 Farmwel
AB08 RSPCA	AB17 Anglian Water
AB09 Shaun Leavey OBE FRAgS	AB18 The Landworkers Alliance
	AB19 NFU Scotland
	AB20 NFU