

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

AGRICULTURE BILL

Second Sitting

Tuesday 11 February 2020

(Afternoon)

CONTENTS

Examination of witnesses.

Adjourned till Thursday 13 February 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 15 February 2020

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The Committee consisted of the following Members:

Chairs: SIR DAVID AMESS, † GRAHAM STRINGER

† Brock, Deidre (<i>Edinburgh North and Leith</i>) (SNP)	† Jupp, Simon (<i>East Devon</i>) (Con)
† Clarke, Theo (<i>Stafford</i>) (Con)	† Kearns, Alicia (<i>Rutland and Melton</i>) (Con)
† Courts, Robert (<i>Witney</i>) (Con)	† Kruger, Danny (<i>Devizes</i>) (Con)
† Crosbie, Virginia (<i>Ynys Môn</i>) (Con)	† McCarthy, Kerry (<i>Bristol East</i>) (Lab)
† Debbonaire, Thangam (<i>Bristol West</i>) (Lab)	† Morris, James (<i>Halesowen and Rowley Regis</i>) (Con)
† Dines, Miss Sarah (<i>Derbyshire Dales</i>) (Con)	† Oppong-Asare, Abena (<i>Erith and Thamesmead</i>) (Lab)
† Doogan, Dave (<i>Angus</i>) (SNP)	† Whittome, Nadia (<i>Nottingham East</i>) (Lab)
† Eustice, George (<i>Minister of State, Department for Environment, Food and Rural Affairs</i>)	† Zeichner, Daniel (<i>Cambridge</i>) (Lab)
† Goodwill, Mr Robert (<i>Scarborough and Whitby</i>) (Con)	Kenneth Fox, Kevin Maddison, <i>Committee Clerks</i>
† Jones, Fay (<i>Brecon and Radnorshire</i>) (Con)	† attended the Committee
† Jones, Ruth (<i>Newport West</i>) (Lab)	

Witnesses

Ivor Ferguson, President, Ulster Farmers Union

Norman Fulton, Deputy Secretary, Food and Farming Group, Departmental Board, Department for Agriculture, Environment and Rural Affairs (Northern Ireland)

Nick von Westenholz, Director of EU Exit and International Trade, NFU

David Goodwin, Agriculture Chairman, National Federation of Young Farmers Clubs

Richard Self, Agriculture Manager, Co-operatives UK

Graeme Willis, Policy and Technical Expert, CPRE

Jim Egan, Technical Adviser, Kings

Jake Fiennes, General Manager (Conservation), Holkham Estate

Judicaelle Hammond, Director of Policy, Country Land and Business Association

George Dunn, CEO, Tenant Farmers Association

Public Bill Committee

Tuesday 11 February 2020

(Afternoon)

[GRAHAM STRINGER *in the Chair*]

Agriculture Bill

2 pm

The Committee deliberated in private.

Examination of Witnesses

Ivor Ferguson and Norman Fulton gave evidence.

2.1 pm

The Chair: We will now hear oral evidence from the Ulster Farmers Union and the Department of Agriculture, Environment and Rural Affairs. Thank you very much for coming today. We have until 2.30 pm for this session. I would be grateful if you introduced yourselves for the record.

Norman Fulton: My name is Norman Fulton. I am deputy secretary within the Department of Agriculture, Environment and Rural Affairs for Northern Ireland. I head up the food and farming group within the Department.

Ivor Ferguson: I am Ivor Ferguson, the president of the Ulster Farmers Union. We are an organisation in Northern Ireland with roughly 11,500 members spread across all sectors.

The Chair: Thank you.

Thangam Debbonaire (Bristol West) (Lab): I am sorry, but I wonder if we could ask the witnesses to speak up slightly.

The Chair: The acoustics in this room are appalling, which is nobody's fault apart from the architect's. If witnesses and members of the Committee could speak up, we would all be grateful. Thank you.

Q39 The Minister of State, Department for Environment, Food and Rural Affairs (George Eustice): Schedule 6 to the Bill has Northern Ireland-specific provisions, principally an ability and power to modify the legacy basic payment scheme—the common agricultural policy scheme. Will you explain what your priorities are to simplify and improve the legacy scheme? Secondly, do you have any emerging thoughts about future policy that you might make through your own Northern Ireland legislation?

Norman Fulton: Our motivation in drafting the schedule was to retain options for incoming Ministers—obviously this was done in the absence of an Executive—so we developed it to be able to preserve the ability to continue to make payments to farmers under pillar 1 and to enable us both to continue to deliver schemes under pillar 2, until such a time as Ministers wish to change those measures, and to keep pace with appropriate changes elsewhere in the UK. So it was really to provide that framework for incoming Ministers but not really to set out any particular direction in policy, which is clearly something that Ministers will need to take a lead on. There is some scope for simplification in the powers we propose, but it is really for Ministers to decide which of those powers they might want to move forward on.

In terms of the future direction of policy, we engaged with our major stakeholders from the farming, food and environmental sides, and we produced a draft outline framework for agriculture, which we published for consultation in August 2018, really around the four pillars of resilience, environmental sustainability, productivity and supply chain functionality. It is a very high-level document and it received a good response from our stakeholders. Now that we have a Minister and an Executive in place, we need to work to flesh that out and to start to chart a way forward in the longer term.

Ivor Ferguson: From the farmers' point of view, we had negotiations with our farmers and discussions on how we would like to see payments going forward. We produced a discussion document. We felt that we were quite happy for farmers to be rewarded for activity, whether that be agricultural production or environmental activity. We were quite happy with that because a large number of farmers were not fully happy with area-based payments, in that they felt that the landlord or people who owned vast areas of land received most of the benefit. Our farmers will be quite happy to have money directed to people who are engaged in activity, be it production or environmental.

Having said that, we would not want to see area-based payments disappear completely. We would like to keep that in the form of a resilience or volatility payment, bearing in mind that we have a land border with the Republic of Ireland where they will still receive land-based payments. We could not be disadvantaged in any way with our farming colleagues in southern Ireland.

From that point of view, we would like to see some form of a resilience or volatility payment. If we look at the recent farm income figures for Northern Ireland, the profitability figure has fallen from well over £300 million down to £290 million. That is a similar figure to what comes in in farm support to Northern Ireland. It is a stark reminder of how dependent some sectors are on basic payments.

Q40 George Eustice: You mentioned that the rationale for an area payment might be resilience or as a risk-management tool, but it is ultimately a subsidy on land tenure or land ownership, so is it the best tool to deal with those issues? Or is it a straightforward market intervention—crisis payments when there is a slump in the market or a severe weather event, when you could intervene using the other crisis powers that are in the other part of the schedule?

Ivor Ferguson: If there were vast changes in the market for whatever reason, we would certainly need more support. This resilience payment would be much less than the payment today—perhaps 30%, 40% or at the most 50%. We have not put a figure on that yet; it is something we would have to discuss with our farmers fairly quickly now.

Q41 Daniel Zeichner (Cambridge) (Lab): Good afternoon, Mr Stringer. In the written evidence supplied, Mr Fulton, you raise a number of issues around divergence, both now and in future. Could you say a bit more about those issues? Could Mr Ferguson also comment on divergence?

Norman Fulton: This is certainly an issue of concern to us. We have to be mindful of the fact that we now have the Ireland/Northern Ireland protocol under the

withdrawal agreement, which means we will need to align with the European systems, whereas those in the rest of the UK could diverge. Therefore, we would be concerned that, within what will be the single UK market, there could be different approaches to marketing standards, for example. Obviously, that is something that we will all need to be mindful of. I suppose it will be managed through common frameworks across the UK. A lot of work needs to go into thinking through how we will operate across the UK, to ensure that the UK market is not distorted in any way and there is a level playing field for all players in that market.

Q42 Daniel Zeichner: That is extremely diplomatic but I am not sure how that works. You are in either one system or another, are you not? Where is the halfway house?

Norman Fulton: Well, we are very clearly in one system, so we do not have the scope to change under the protocol. In the schedule, you will see that on marketing standards, for example, we have taken the ability to set standards, but that was drafted in advance of the withdrawal agreement, so it would not be enabled. At some point in the future, if we ever left the protocol, it could be brought into play. For now, our future is pretty much mapped out when it comes to marketing standards, but that is not the case elsewhere in the UK. Although we know what our standards will be, they may change elsewhere. That will create the issue of how we ensure that there is a level playing field within the UK/GB, which remains our biggest market.

Ivor Ferguson: As Norman just said, it is our most important market. At least 50% of what we farmers in Northern Ireland produce goes to the mainland GB market, and in some sectors it is 70% or 80%. If we were to diverge and the standards were to lower in the GB market, lower standards means lower cost of production, and we would be tied to the cost of production within the EU system in Northern Ireland, so it would be very difficult for us to compete in that market. From that point of view, it would be a disaster for us if the standards changed or diverged a great deal away from where we are today.

Q43 Daniel Zeichner: When you say disastrous, what do you mean?

Ivor Ferguson: Take the beef sector in Northern Ireland. All the products that we produce, or 95% of them, are produced to Red Tractor quality-assured standards. A lot of them go to the major retailers in the UK, which support us well with the Red Tractor standards. For beef production in Northern Ireland, the returns to farmers are down in the last 12 months by £36 million, so there is no profit in the job at the present time. We could not accept a lower price for product, so a lot of our farmers at the moment are finding it very difficult to stay in business. If there were a lowering of the price in the marketplace, that would be a disaster for us.

Q44 Fay Jones (Brecon and Radnorshire) (Con): I repeat my declaration of interest: I was an employee of the National Farmers Union, and indeed of the Ulster Farmers Union when I was working in its office in Brussels a few years ago. I want to pick up on the points that were raised about divergence. On the point you just

made about maintaining an area-based payment in case of volatility, what would be the consequence of different agricultural payment schemes operating throughout the UK?

Norman Fulton: Again, this is something that all Administrations need to be very mindful of in the choices they make. Agriculture is a devolved matter, so each of the Administrations can set their own policy direction and agenda. Under the protocol, which we will now be operating under, certain restrictions will apply in the case of Northern Ireland. We will have an overall envelope for state aid cover, but within that a percentage will have to be green box. That will put certain restrictions on the choices we make in future policy. That does not necessarily apply elsewhere in the UK. Scotland, Wales and England will all be able to set their own policy choices.

Again, we need to be careful that we do not start to open up distortions in competition, which could arise from all this. Although these matters are devolved, GB/UK is our domestic market, and we need to make sure we do not end up trying to undercut each other by using our support mechanisms to facilitate that. There is a great deal of responsibility on all the Administrations on this matter.

Ivor Ferguson: I fully agree with Norman. If we take Northern Ireland at the moment, we would like to think that we will have the same level of support. We will certainly need the same level of support. The fact that it is paid in a different way should not distort our market all that much, if there is the same level of money that comes in. We have to be mindful that our farming colleagues in southern Ireland will have a basic payment too, so we need a level playing field. We have to be very mindful of that going forward.

Q45 Thangam Debbonaire: This question may be just for Mr Fulton, but both of you may care to comment. Agriculture is devolved, as you said, but the World Trade Organisation requirements for the agreement on agriculture are deemed to have been reserved. Will you comment further on whether schedule 6 gives DAERA the powers you need to meet the flexible requirements for Northern Ireland's specific needs? Do you have anything to add to your comments in answer to the question from Fay Jones on how that regional variance will play out?

Norman Fulton: The schedule is primarily about rolling forward what we have, with options for simplification and options to keep pace with potential changes that may have happened elsewhere. It is not really about setting our future policy direction, which is something that we now need to take forward ourselves in the Northern Ireland Assembly, now that Ministers are back and we have an Executive.

On the WTO issue, yes, that is a reserved matter, but there is nothing in the Bill that we feel will constrain our ability to set our policy agenda. For example, there are no restrictions on green box support in WTO rules, and none at this time on blue box support—for example, headage payments. Hopefully, the UK's share of the amber box coming out of EU will be well in excess of what any region, or the UK as a whole, could ever hope to spend on agriculture, so we do not see that as a practical restriction on our room to manoeuvre in any way.

Your final point was around distortion in the UK?

Q46 Thangam Debbonaire: You started to comment in response to Fay's question about regional variations. Is there anything you want to add to that?

Norman Fulton: It is something we all need to recognise. For example, if a region were to decide to go back to something we had in the past, a slaughter premium, you could easily see how that could attract animals for slaughter into that area. You would be starting to distort the movement and processing of livestock. A region probably would not want to do that because you would end up spending your regional support to support farmers located outside your region. Those are the types of things that could happen in theory, but I hope in practice they will not.

Q47 Thangam Debbonaire: You mentioned the word "hope" twice there. I am also hopeful, but we are here to deal with legislation. Do you think anything else needs to be added to the legislation to reduce the reliance on hope? Is the hope about negotiating aims, or is there something that should be in the Bill that currently is not?

Norman Fulton: That is a very difficult question, because at the end of the day agriculture policy is devolved, so all the Administrations have the flexibility to deploy the budget that is at their disposal. I do not think there is a lot more you can do in the Bill to address that. It is more in the area of the common frameworks that govern how the regions co-operate across this area.

Ivor Ferguson: I will just add that we are mindful of regional variations across our areas. The future trade policy to be worked out will have an effect on that. If we diverge a lot, product coming from Northern Ireland into the GB market and vice versa will have added costs with the border inspection posts, or whatever you want to call them. There will be added costs. That is something that, if a trade deal did not go for us, or if there was a large-scale divergence, that would add a lot to our costs and we would need extra funding. We are very aware of that.

Q48 Mr Robert Goodwill (Scarborough and Whitby) (Con): I seem to recall that in Northern Ireland, unlike in England, BPS payments have a maximum cut-off. That means that, although I assume you have to have cross-compliance on your entire holding, there is a maximum payment you can get. Might switching to more agri-environmental schemes result in some farms not delivering the public goods that they could deliver, because you would be limited in the amount you could give them? Do you think that, at that point, it would be worthwhile getting rid of the cap and allowing farms to participate fully on the all the land they have?

Norman Fulton: There is an overall cap on the current area-based system, but very few holdings hit that limit at this point in time. Again, those are the sorts of things we will need to consider in relation to the architecture we put in place. Certainly, if you were talking about large areas of land that needed to be brought back into good management and good condition, you would want that to be encouraged and incentivised, and any disincentive that might arise from a cap would have to be considered very carefully. At this point in time, there is no cap on agri-environment—well, there are caps on the amount that individual farmers can get. I know it is an issue that

some farmers want to do more, and that is something we will have to consider in our next iteration of agri-environment.

Q49 Mr Goodwill: I suppose most farmers favour a cap as long as it is just over the amount they get paid. You also have a scheme where young farmers under the age of 40 who farm less than 90 hectares get a 25% additional payment. How effective is that? Has that just resulted in farmers passing on their farms early? Are farms tailoring their businesses to meet the rules, or do you see genuine benefits in having a young farmer payment?

Norman Fulton: It is a bit of a mixed picture. Certainly, it has encouraged conversations around the farm table that would not otherwise have happened. We actually put in place in addition—it was an optional addition to that measure—a requirement for the young farmer to have a level 2 qualification in agriculture, so it was a way of bringing young farmers into the whole area of technology transfer. Some, who had perhaps gone out and got jobs in other professions or trades, were coming back to the farm but did not really have the agricultural training in place, so this got them on to the stepladder. Quite a proportion then decided they would go on and take on further training and qualifications, so it was very positive from that perspective as well. The motivations on that one were good, but I think we could improve on it by looking at the restrictions and issues facing young farmers, and at how we can tailor a package to help generational renewal on farms.

Q50 Mr Goodwill: Is that your experience as well, Mr Ferguson, from a farmer's perspective?

Ivor Ferguson: Yes indeed. Coming back to the discussion document we produced after some consultation with our farmers, our idea was that when we moved away from the basic payment to a payment for productivity and environmental measures, it would mean that some of the farmers who wanted to do extra environmental schemes on their farms would be able to avail themselves of a grant to do that, so it would encourage environmental measures as well as production measures. That is something we are very happy about.

On the young farmers scheme, as Norman said, some young farmers certainly benefited from the scheme and it does encourage young farmers. However, going a bit further, we would like to see a succession plan put in place for older farmers to pass on to the next generation, and we would like to see some incentives, like they have in southern Ireland, such as tax incentives and that sort of thing. That would make the transition from the older generation to the next generation a lot easier, and it would be more encouraging for our young farmers.

Q51 Deidre Brock (Edinburgh North and Leith) (SNP): With regard to the regulatory and policy divergences between the four nations of the UK, I am lucky enough to have been on the Agriculture Bill Committee twice in the last two or three years, and I think I am right in saying that we heard from all the NFUs in the previous iteration of this Bill Committee. I recall all the NFUs being at pains to say that they currently operate different schemes and policies between themselves, as you would expect from organisations in devolved Administrations.

There were discussions around common frameworks and how they would work once Brexit occurs; those organisations currently operate in Europe under common frameworks. However, the details of the future frameworks must be agreed, not imposed—I think that that was said right across the board by all the different NFUs. Is that something that you recognise and agree with?

Norman Fulton: Yes. I think the frameworks will be important. Up to now, we have operated within a regulatory framework, the CAP, which gave us a degree of flexibility, although it was ultimately constrained. Going forward, we will no longer have that regulatory framework. It then comes back to the politics of devolution and the fact that agriculture is fully devolved. I think all the devolved Administrations will jealously preserve that flexibility, but they will also need to recognise that we will operate within a single market, and that there will therefore have to be ground rules—

Q52 Deidre Brock: When you say single market, do you mean the internal market of the UK?

Norman Fulton: Of the UK, yes, which is obviously of utmost importance for everyone.

Ivor Ferguson: I agree. For us in the Ulster Farmers' Union, we would certainly have to have some ground rules. We meet our colleagues in the NFUs in England, Scotland and Wales on a regular basis, and we certainly discuss all those matters. We fully agree that we will have to have some ground rules, but we do keep in touch with farmers in the other regions.

Q53 Deidre Brock: The impression I got was that the relationship between the four NFUs is very good, and that you speak regularly about these sorts of thing.

Ivor Ferguson: Yes.

The Chair: I am afraid that this will have to be the last question.

Q54 Ruth Jones (Newport West) (Lab): I will be very quick. What are your thoughts on the food security reports? The current Bill talks about them being produced every five years. Do you have any thoughts on the frequency?

Ivor Ferguson: We certainly would not be happy at all with a review every five years. We would certainly want to see this reviewed at least once a year. Especially in the transition, as we move forward, we would think that five years would be far too long a period, and that it will have to be reviewed a lot sooner than that—at least annually.

The Chair: If there are no further questions, we have finished two minutes early. Thank you for your time.

Examination of Witnesses

Nick von Westenholz and David Goodwin gave evidence.

2.29 pm

The Chair: We will now hear evidence from the NFU and the National Federation of Young Farmers' Clubs. For this session, we have until 3 pm. Would you please introduce yourselves?

Nick von Westenholz: Nick von Westenholz, director of EU exit and international trade at the National Farmers Union.

David Goodwin: David Goodwin, chair of agriculture and rural issues for the National Federation of Young Farmers' Clubs, and I farm in south Northamptonshire.

Q55 George Eustice: You will be aware that clause 9 has quite a broad power giving the Government the ability to start simplifying and sorting out some of the complexity of the legacy CAP scheme, which we can deploy from as early as next year. What would be your priorities to improve the legacy scheme in the time until the new one is rolled out?

Nick von Westenholz: First and foremost, the content or focus of those simplifications is not as important as giving information to farmers. During the previous Parliament, as the previous Bill was going through, there was increasing anxiety that, while simplification may or may not be coming down the line this year, farmers would not be informed about what those simplifications were, and therefore would be unable to properly prepare in order to meet the requirements of whatever the scheme is. First and foremost, farmers need early guidance about the requirements of the scheme they will be subject to, well in advance of that scheme year beginning. That information is almost as important as what the simplifications might be.

In terms of what the simplifications are, we are engaging with officials at the Department for Environment, Food and Rural Affairs, as you will know. It will not surprise you that some of the current requirements, such as the three-crop rule, have been criticised by many farmers as overly bureaucratic without really achieving the greening aims it may have hoped to address; that one comes up most often in our conversation with members.

David Goodwin: All our members are keen to get on and farm. That is what we are hearing a lot of at the moment. They hope that this Bill will enable them to do that, to look for opportunities and to expand their businesses. We keep talking about simplification; anything we can simplify will be a good thing. There is a real worry that we will not meet environmental and welfare aims. We need to ensure we maintain our high standards and do not let them slip.

Q56 George Eustice: In terms of helping new entrants and the next generation of younger farmers, what is most important for your members? Is it access to land at an affordable rent, or is it having an area-based subsidy system as we do now?

David Goodwin: Access to land is obviously a key concern for our members, but access to land is good only as long as the land they are looking to farm is profitable and viable. Finding ways to enable that is also important. From that point of view, a subsidy system of some description, where farmers are rewarded for the good work they are doing, is still quite high on our agenda.

Q57 George Eustice: Has the NFU done any work on what a sustainable land rent is for different land types without the land tenure subsidy that we have through direct payments?

Nick von Westenholz: I am not aware that we have looked at that sort of detail on where land rents might sit. It is an interesting question and one we probably ought to look at.

Q58 Daniel Zeichner: Good afternoon. It is probably no surprise to you that my opening question will refer to the letter to the Prime Minister that the NFU and over 60 other organisations have written, expressing concern about the potential risks caused by imported food produced to lower environmental animal welfare or food quality standards. What needs to be done to this Bill to resolve that problem?

Nick von Westenholz: The obvious omission from the Bill, in our view, is anything around import standards. It is absolutely right that that should be in the Bill, because if the Government are trying to promote, which we would support, more sustainable production and food systems domestically in the future, which is the core aim of the Bill—to provide a support framework for farming in a high welfare, environmentally sustainable way—they will be fundamentally undermined in that objective if there is not a concurrent trade policy that prevents farm businesses from being undercut by substandard imports. A two-pronged approach in policy terms—trade policy and domestic policy—is needed to prevent undermining that sort of farming, in which UK farmers excel.

The detail of how the Bill is amended or of the terms of the legislation that can achieve that may be quite complicated and something that the Committee needs to consider as it goes through the Bill line by line, but at the core there must be a requirement that if the UK is going to import food, that imported food meets the same standards of environmental protection, animal welfare and food safety as UK producers are required to meet. Of course, the Government have been very reassuring on that point in recent weeks and have given some guarantees in that regard, but we feel that that needs to be underpinned by legislation, because there are real technical challenges in doing this that any Government, whether this Government or a future Government, are going to come up against as they negotiate trade deals and as they pursue a new role for us as an independent member of the WTO.

Q59 Fay Jones: My question is to Mr Goodwin. Are there any other means that you think should be included in the Bill that might give your members access to land—means that might increase the opportunities for young farmers and perhaps even new entrants into farming?

David Goodwin: There has been a lot of talk within our membership about support for schemes whereby we are looking at contract and share farming arrangements, particularly in the livestock sector, to enable young farmers to come on to land alongside an existing farmer who is perhaps getting a bit older and does not want to do it himself. Quite how the framework for those sorts of things fits and how you make them work has always been a challenge. I have just come back from New Zealand, and it is interesting to talk to farmers out there. There is a lot more progression on units and farmers do not seem to be so static. I think that is perhaps the other issue in UK agriculture: it is very parochial—which is traditional. It is difficult to really

say how we could break that mould, but certainly from our members' point of view, any new, innovative ways we can find to get young people on to the land—not necessarily as managers or owners, but also as good skilled workers—would be good.

Q60 Fay Jones: May I quickly follow up on that? Are you happy with the proposed schedule for phasing out direct payments—moving away from an area-based payment and towards a system of public goods?

David Goodwin: It seems to be very quick. I would repeat Nick's point from earlier: for things to happen in farming, we need to remember how long some of the cycles in agriculture are. For farmers and farm businesses to prepare for that, they need to know what they are preparing for, and they need to know what they are preparing for a long time in advance of it happening. If you are putting a bull in today, you are not going to be selling the calves, potentially, for three years. We just need to be mindful of how agriculture works and how that fits with the legislation's aims.

Q61 Abena Oppong-Asare (Erith and Thamesmead) (Lab): Do you have any suggestions as to how the Bill could be improved specifically to enhance food production? The reason why I am asking is that I want to look at ways to ensure that poorer consumers are also able to benefit from the high requirements under the Bill—the requirements for a more sustainable, environmentally friendly way of delivering services. I am worried about poorer consumers being left out.

Nick von Westenholz: I think, taking a view of what the Bill is trying to achieve in totality in terms of a sustainable food production system, that the need to provide consumers with affordable and safe food must remain fundamental to that.

One concern we have is that a singular focus on some of the public goods aspects might lead to the food production aspect being overlooked. Indeed, that was a criticism we made of the original Bill. That is not to downplay the importance of the clause 1 public goods elements and the development of the land management scheme, but we have been clear from the outset of the process, some years ago, that a really comprehensive agricultural policy needs to be built of three key blocks. You need a sustainable, environmental block—the sort of stuff that this Bill does very well—but you also need to keep in mind the need to produce food, which is what farmers do as well. You need to encourage increased and improved productivity in the farming sector. Again, the Bill provides the powers to do that, although we are waiting for details from DEFRA about exactly what schemes and measures might be introduced to achieve that.

We also have a concern around what we call volatility, or what might be called stability. That is the stuff that farm support systems around the world generally do, which is underpin the farming sector as food producers to provide a certain degree of food security and affordable food for their country. Obviously, there are new, welcome food security clauses in the Bill. Our concern is that as we go into the next few years, direct payments will be reduced and replaced with a scheme that is focused on environmental land management, and we will potentially be in a very difficult trading environment, depending on

how the next 10 and a half months of trade negotiations go. That perfect storm will seriously undermine our ability to provide food. We try to make clear that this system needs to be as much about providing food for the country as it is about looking after our countryside and our farmed animals.

Q62 Abena Oppong-Asare: Can I ask a supplementary question?

The Chair: Before you do, I have a large number of people indicating that they wish to speak. Please could Members and witnesses be brief.

Q63 Abena Oppong-Asare: I will be quick. You mentioned that you are waiting for DEFRA to give you further information. Have you highlighted to them which of your recommendations you want them to take forward?

Nick von Westenholz: Yes. We have good communication with DEFRA officials and conversations are ongoing. Given the immediacy of some of the changes coming in, we are looking for assurance that schemes are going to be developed and deployable quickly. There are concerns over that.

Q64 Theo Clarke (Stafford) (Con): Does the Bill include the right measures to give tenant farmers certainty over succession, tenancy length and security of tenure?

Nick von Westenholz: As far as they go, we are pleased with the inclusion of the tenancy clauses in the Bill. They are quite technical and we are looking to develop some amendments to strengthen them, which we will be happy to share with members of the Committee. In particular, we want to bring in more of the recommendations of the tenancy reform industry group, which has been up and running and working for some years now, so that those are properly reflected in the Bill. We will suggest some improvements, but we generally welcome the clauses that have been introduced in this Bill that were not in the last one.

Q65 Kerry McCarthy (Bristol East) (Lab): This is probably a question specifically for David Goodwin. What role do you see county farms playing, given that the Government and the Minister have in the past expressed support for reversing the decline in county farms? Is that something your members would be interested in?

David Goodwin: Yes, very much so. County farms have been a shining light for getting younger people into holdings. In the counties where it works well, it works very well. Obviously, there are counties where there are challenges and more pressures on estates. Unfortunately, we see those in the news regularly at the moment. There are some good examples. The number of county estate farms is very small, compared with the number of people who are perhaps looking for opportunities. Some of those individual holdings are very small and do not always offer the stepping stone that is needed. Going on from there, there is still a lack, particularly with tenanted farms, of progression farms to go on to from a county starter farm.

Q66 Danny Kruger (Devizes) (Con): Mr von Westenholz, the suggestion of insisting in the Bill that we only import food produced to the same standards as our farmers produce is absolutely the right principle, and the Government are committed to that in principle, but

can you just talk us through the practicalities of what the relevant change to the legislation would be? I am just concerned about what it actually means to insist on equivalent standards. How would that be articulated in the Bill? Is that insistence not more appropriate to the trade negotiations, which will get into the actual detail of different sectors, important exports and so on? How would you frame that piece of legislation in a way that did not just open the door to all sorts of challenges on a concept that is not well defined?

Nick von Westenholz: It is a fair point, because the question of how you compare standards in this country with those in other countries is very complicated. I think there is a way that you can still build requirements into the Bill that address those concerns. Basically, you can provide safeguards to the Government's stated aim on these issues. I should add that that is one reason that we very strongly called for a commission with the Government, stakeholders and industry to be set up that would examine these very difficult issues and make clear recommendations for precisely how the Government can safeguard our standards in future.

In terms of the Bill, you could require the Government to produce a register, for example, of what our food and farming standards are, or certainly the ones that we are keen to safeguard. We can then put in a requirement that imports should meet those standards or should have to demonstrate that they do, and possibly some sort of reporting mechanism to demonstrate whether imports are meeting those standards. There have been several amendments to this Bill and the last Bill to attempt to address that.

You could introduce amendments that are much more explicit. For example, they could set out the sorts of veterinary medicines—whatever it might be—that are prohibited and would not be allowed to be put on the market, as well as goods treated with those medicines that could not be put on the market in this country. That would be a very clear and straightforward legislative safeguard on standards, but you would be looking at quite a lot of text if you were to go completely across the board. There are a number of options.

Q67 Thangam Debbonaire: I am not quite sure, but this question is possibly to both witnesses. The Bill is to a great extent an enabling Bill, and the words “the Secretary of State may” appear frequently. I wonder whether, were you going through the Bill with a red pen, you would change any of those may to musts. In particular, I am looking at how we make the move from having been a full member of the EU and part of the WTO by virtue of that to completely being just on sole membership terms with the requirements of the agreement on agriculture. I am looking at any may to musts and how to get to compliance with the agreement on agriculture.

Nick von Westenholz: I think as a point of principle, we would not just argue that any mays need to be turned into musts. We recognise that this is an enabling Bill and the merit of the Government's having legislation that gives them flexibility. There would probably be some points where we would be more forceful than others, such as the powers around exceptional market conditions. At the moment, there is a “may” power for Government intervention when exceptional market conditions are adversely impacting agriculture—this speaks to that point I was making about volatility, as

agriculture, probably more than other economic sector, can be subject to climate volatility, weather volatility, market volatility and so on—but we think there should be a trigger there that requires a “must” for intervention. I know some have argued that there should be more of a “must” clause around the financial assistance powers. I am not sure whether that would do the trick, because it could still be an inadequate amount of financial assistance that is provided.

The new clauses addressing multi-year financial plans and reporting are important and we are pleased to see them; we think that those, alongside the Government’s guarantee on the total budget, are just as important in giving farmers certainty and the ability to plan for the long term.

I did not quite understand the question on the WTO agreement.

Q68 Thangam Debonnaire: I wanted to emphasise those provisions of the Bill that pertain to the WTO and ask whether any of those “mays” to “musts” were in that area.

Nick von Westenholz: Not that we have identified, but I will have another look at it after the session.

Q69 Virginia Crosbie (Ynys Môn) (Con): Mr Goodwin, in relation to the next generation of farmers, I would be interested to hear whether you have had any feedback from institutions and how you are working with universities and colleges to ensure that the next generation take advantage of this new legislation.

David Goodwin: We are working closely with various county agricultural colleges at the moment. We have just run an event in the north—I have forgotten the name of the college—in association with DEFRA, through our DEFRA grant holder, to engage with our members about this Bill in particular and the ELMSs that are coming forward. That is a project that we were looking to roll out considerably further; unfortunately, our timescale was put back when Parliament was prorogued and we had to postpone a lot of events that we were planning to run. Agricultural colleges lend themselves well to setting up and running events with our members and our target audience of potential members and people who are looking to come into the industry. We are certainly doing as much work as we can with county colleges and the universities, which are all struggling a little bit for students at the moment.

Q70 Abena Oppong-Asare: My question links in with Ms Crosbie’s question and is directed to Mr Goodwin. As you know, the ageing population of farmers is changing. Is there anything specific in the Bill that you think needs to be changed that could help more young individuals to go into farming? Is there something that you feel needs to be specifically looked into?

David Goodwin: As we have touched on at various points in this session, the crux of the matter is this Bill’s enabling farmers to run effective, efficient and sustainable businesses, both environmentally and economically. From a young farmer’s point of view, the foundation of all this must be a strong, stable agricultural industry. The only way to attract young people into agriculture is to offer them opportunity; it is difficult to sell the idea of working 150 hours a week and being paid less than the

minimum wage to people who are not necessarily in love with agriculture. There are no specifics that spring to mind, but anything we can do to support agriculture is a positive.

Q71 George Eustice: I want to turn to a different part of the Bill, chapter 2, and the provisions on fair dealing and transparency in the supply chain. Can you tell us which sectors suffer the most from a lack of transparency and fairness in the supply chain? Which are most likely to be price takers? What regulations or steps would you like the Government to take, under the powers in this Bill, to ensure that farmers are in a fairer position relative to others in the supply chain?

David Goodwin: I have a very quick point on that, specifically pertaining to the lamb industry. We have had quite a lot of feedback from our members about lack of transparency: under the sheep legislation as it is at the moment, we are forced to electronically tag and identify all the sheep, but currently the abattoirs and processors are not required to pass that information back down the chain or identify those carcasses as pertaining to those animals. There is a perceived transparency issue with some processes. It is not that potentially we are not being paid the right amounts, but I think people would like to know what our killing out percentages are, so that we can improve performance and make better informed decisions.

Nick von Westenholz: We are working through our commodity boards, which is the way we cover the different steps in the NFU to address exactly how the powers will be used. We are pleased that those powers are in the Bill, but lots of them rely on secondary legislation to operate, so it seems that potentially there is still quite a job to do once the Bill is enacted to ensure that the powers can be used properly to do what they are supposed to do. We look forward to working with officials to work out exactly how those powers can be deployed once the Bill is enacted—that is a feature of the enabling aspect of the Bill. We certainly think the focus on improving the supply chain is a critical bit of the Bill.

Q72 Daniel Zeichner: Let us turn to the delinking proposals for a moment. There does not seem to be a great deal of detail in there. The intention is to bring in new people, which we would support, but are there dangers of unintended consequences? Would you like to see more detail?

Nick von Westenholz: Yes, absolutely. We would like more detail. We understand there was an intention to consult on them at some point under the last Bill, so presumably that will still happen. You are absolutely right that there are potential unintended consequences, not least because those aspects of the Bill relate to England, and there could be a very different way forward in other parts of the UK. That would potentially lead to a very different looking system between England and other parts of the UK. We need to understand the details. Some people might be attracted to the implications of delinking, superficially. Once you delink—particularly with the potential to move to lump sum payments, which is one of the reasons for doing so—you are moving away from some of the things I spoke about earlier, such as being able to manage the transition for the next few years, particularly in the volatile circumstances that might arise for farming. So yes, the long-winded answer is that we would like more detail.

David Goodwin: We tend to agree on the whole. There is a feeling of quiet optimism that it might offer opportunities for young people to come into agriculture. Without some detail to see exactly how that might work and whether it is feasible, people are keeping it at arm's length.

Q73 Daniel Zeichner: Returning to the volatility/stability question, the CAP was much derided in many quarters, but I would say it has delivered some of the goals that it originally set out to achieve, including a measure of stability. Apart from changing “might” to “must”, what other things would you like to see to ensure stability for the future?

Nick von Westenholz: The main parts of the Bill that are relevant are around the transition. Currently, the Bill still has the timetable of beginning to phase out of BPS next year and going over a seven-year period. We have called, as have others, for a delay in that process. That is still absolutely right because we are unlikely to know the trading environment in which farming will operate until potentially very late this year, possibly even into next year, yet the schedule has us beginning to phase out of BPS next year. As David mentioned, agriculture works on very long timeframes.

While we do not know what the future looks like, delaying that is important, not least because this Bill, the previous Bill and the health and harmony consultation that it was predicated on, all took place in a very different political environment where the future relationship with the EU and some other aspects were envisaged very differently. Things have changed, and the Bill and the transition period should also change. We could face some very volatile times ahead and we need to be able to manage that.

The Chair: Order. I am afraid that brings us to the end of the time allotted for this session. I thank the two witnesses on behalf of the Committee. We will move on to the next evidence session.

Examination of Witness

Richard Self gave evidence.

3.1 pm

The Chair: We will now hear oral evidence from Co-operatives UK, and we have until 3.30 pm. Welcome. Would you like to introduce yourself?

Richard Self: I am Richard Self, agriculture manager with Co-operatives UK, supporting our farmer co-operatives up and down the country.

Q74 George Eustice: Are you broadly content with the powers in the Bill to modify the retained EU law on producer organisations in particular? Do you support the principle of moving away from the area-based subsidy payment we have now to a system of payment for public goods?

Richard Self: We are broadly happy with the way the Bill is set out. The detail will come in secondary legislation for the areas of co-operation and collaboration that we are interested in. The main concern is around exemptions. The exemptions are currently very supportive of co-operatives, but there is some room in the Bill for that to

be narrowed, and we need to ensure that the current exemptions are carried through to this new environment. We want to encourage our co-operatives, not discourage them.

On subsidy payments, we accept that. It will create a new environment and a new world for farmers to operate in. Again, co-operation and collaboration can help farmers become productive and efficient within that new world.

Q75 George Eustice: Coming back to exemptions, I think most are carried forward by the Bill. Specifically on dairy contracts, for example, co-operatives were excluded from the voluntary dairy code, but if we were to introduce a mandatory code under provisions in the Bill, they might not be. Will you explain why co-operatives are a special case that should be exempt from giving farmers clarity about how the milk price is calculated?

Richard Self: It is an interesting area. I am not an expert on the dairy sector, but in milk co-operatives the first-stage processor is owned by the farmers. If that processor takes a high price, farmers will get that back at some stage; in another situation where they do not own the processor, they will not. Therefore, it inhibits them from reacting to the market, because ultimately in a situation where the farmer owns the processor, the benefits will eventually come back to the farmer because they own the business.

Q76 Daniel Zeichner: In general, will the Bill help producer organisations? What more could be done? Why have we not traditionally done better in UK agriculture?

Richard Self: Producer organisations have done a good job, but I think some people would say they could do a better job if they were better organised. I think we could have made better use of them in the past—other countries have made very good use of their POs. One concern we have around POs is that they might be too narrow. We want to ensure that all types of co-operative have the chance to be a PO, and that extra hoops and barriers are not put in the way of existing co-operatives, making it more difficult for them to get to that PO status.

Q77 Daniel Zeichner: Why has the UK experience been different from that of other countries?

Richard Self: Other countries have taken those funds that they get through being a PO, and the help with their technology, productivity and so on, but they have also changed their business models. What is important is to get the right business model in place, where you can add value, capture it and bring it back to the primary producer. I think what we have done is just take the money for the grants, if you like, as opposed to changing the business model and the way that the supply chain works.

Q78 Daniel Zeichner: Will the measures in the Bill make it more likely that we go down that route in future, do you think—or not?

Richard Self: I think it can do. As I said, I think the detail will be in the secondary stage to this, and how that is built up, but the foundations are there. We can make that PO scheme work, as long as we are inclusive of all the different co-operative structures that we have got within that, and do not create extra barriers and hoops for people to jump through to get into the PO scheme.

Q79 Daniel Zeichner: Is there anything you would like to see in the Bill that would help that to happen?

Richard Self: There is nothing specific that I would like to see. At this stage, it is about trying to keep it as wide as possible, so that we keep our options open and look at every stage of making the environment right for co-operatives to thrive and succeed.

The UK is well behind most other developed agricultural systems in its use of farmer co-operatives. France, Germany and the USA are all developing a number of co-operatives, while the number of our co-operatives is reducing. We need to change that balance around. Our market share of co-operatives, based on my most recent figures from a few years ago, is about 6%, compared with Germany's 17%. I think France has something like 55% and Denmark somewhere over 60%. Their market share is much greater. The value added that those co-operatives bring is returned to the primary producer.

The other advantage with co-operatives is that they make the markets less volatile. That is one of the things we are worried about in the future—volatile markets. A co-operative can help balance out that market to make it work well, so that there is less volatility in the price of goods—the primary produce. It also makes sure that the supply chains are fairer for the farmer because they are working together.

Q80 Mr Goodwill: From what you have just said, it appears that the structure of UK agriculture, with larger units, does not lend itself particularly well to co-operatives; whereas, on the continent, you have lots of small farmers who, for example, never get a fertiliser salesman on their farm for the size of their operation.

Do you think that, under the old system as part of the European Union, we have in many ways been trying to squeeze a square peg into a round hole, and fit what is going on here into the way that we can access funds? How do you think in future we can actually produce a system to encourage co-operatives, of the sort that would maybe work in the UK, rather than trying to emulate those across the water?

Richard Self: Generally, we have some very good co-operatives out there. The governance angle of co-operatives is the key thing. If we get that right, and get them well managed at the leadership level, that will help to address the sort of thing that we have had in the past.

We have large farmers in our country, compared with some of the others, but in fact it is the small farmers who do not tend to collaborate so much. I think the larger farmers tend to be very professional in what they are doing, and they are looking at this as a business arrangement, as opposed to the smaller farmers, who want to do things themselves. The evidence I have seen basically says that we need to target smaller farmers probably more than we do the larger farmers.

Q81 Danny Kruger: You have pretty much answered my question. Perhaps you could elaborate a bit more on how to do that. If it is a question of larger farmers naturally combining because they are more professional, as you imply, is it just a question of education and making clear the opportunities that are there? Information, not education, sorry—that was patronising.

Richard Self: No; that was a good point. Education is good point. I looked at this last year. I looked at our universities and colleges, and they do not do anything

on the co-operative business model and how it works round the world, and how farmers benefit from getting engaged. Last year, the Royal Agricultural University did some work for us. It highlighted the lack of understanding of how the business model works and brings benefit back to the farmers—it is about adding and capturing that value and bringing it back. Some farmers have said to me, “Is there any point in us adding value, because someone else captures it?”, whereas a co-operative makes sure that that value is brought back.

We need to educate—“inform” might be a better word in some ways. We do proper case studies and show how, around the world, co-operatives are used in such an effective way, and how their use continues to be developed as they go forward. We were doing quite a lot of work after the Curry Commission report. I was involved in Share to Grow initiatives to get production collaboration going, and we were making some good ground, but then 2008 happened and the cash—the support—stopped. Since then, progress has basically stopped. We have probably moved backwards, if anything, since then in terms of the level of collaboration and co-operation. External support is required to make this happen; it will not happen without that external support to carry it through.

Q82 George Eustice: One of the criticisms of the fruit-and-veg PO regime in particular was that, apart from being very litigious because of the way in which the legislation was drafted, support could only be given to predominantly marketing co-operatives—marketing had to be their primary function. Some groups such as the British Growers Association and others have said that that is wrong. Would you support an approach with support for co-operatives to come together to do research and development, or as buyer groups, but not necessarily marketing in the traditional sense?

Richard Self: Obviously, marketing and consolidating products to make efficiencies in the supply chain are really important, but as we move forward, there are lots of other opportunities for co-operatives to get involved and for farmers to work together. Data is one—we talk about “big data”—and co-operatives are in an excellent position to harvest that data and to use it, not just for their benefit, but for the benefit of the whole supply chain. It will be important, going forward, that we have really efficient supply chains, so that we compete with external supply chains. Working with a co-operative at the centre of that, at the production level, is important both upstream and downstream. If we can have PO schemes that run across different areas and different sections of that supply chain, it would be good.

Q83 George Eustice: On the competition law side, what kind of exemptions or special provisions in law would you seek to enable the co-operative model to develop?

Richard Self: I think that the existing competition law that we enjoy now—or did, under EU law—would be good to carry through. That is how I understand it, although I am not an expert in this area. The worry is that it might be narrower in the future, so that the onus comes to fall on the co-operative to show that it is not competing unfairly, whereas at the moment it can say, “We’re a co-operative,” and then someone else has to prove that it is competing unfairly. The problem with that is that co-operatives would have more risk and

more uncertainty when they were trying to grow a particular business and so on. That is why we would like to keep it as it is at the moment.

Q84 George Eustice: Are you content with the—I think—30% market share provision? So no co-operative is allowed to go above that—certainly with dairy.

Richard Self: I think that would be sensible. It would be a good aspiration for some areas.

Q85 Ruth Jones: Mr Self, in the agri-food supply chain, how well does the Bill move the power base away from the major retailers towards the farmer?

Richard Self: I am probably not qualified to say how well the Bill does in that sense, but I believe that if we can have a policy with an almost horizontal theme of collaboration and co-operation that runs through the environmental or production side of it, or anything else, it would be good to improve that. In particular, that strengthens up the position of the primary producer working in a co-operative, in terms of balancing out.

Some processors and suppliers are worried about this, if farmers get together. In some situations, they have—how should we say?—been proactively discouraging it, and we need to avoid that happening. It is to the benefit of the whole supply chain if it works with that co-operative—they can get economies of scale, help manage supply and demand, and use the branding of the co-operative, if you like, to get to the end consumer to show the traceability, the welfare and the quality of the product when working with a co-operative. There are win-win situations for both co-operatives and businesses up and down the supply chain if it is looked at the right way. They can see it as a threat to their profitability.

Q86 Miss Sarah Dines (Derbyshire Dales) (Con): What single change would you advocate if you had to prioritise a single change to the Bill, as currently drafted?

Richard Self: I think the only thing I would change is to make sure that the exemptions are firmed up and protected over the next few years. We are worried about that, in terms of suddenly making it more risky for our co-operatives to develop.

Q87 Miss Dines: How long would that extension be?

Richard Self: There is a two-year period on this. It could be managed more flexibly, so it would be good if that could be extended for two years.

Q88 Miss Dines: What would your choice be? Would it be five years, or four years?

Richard Self: Five years would seem like a good period, but I do not have significant knowledge on that front.

Q89 Theo Clarke: I just want to pick up on the issue of transparency and fairness in supply chains. Would the fair dealing obligations in the Bill currently work with the existing groceries supply code of practice? I want to make sure that we have a consistent approach to fair dealing across the whole supply chain.

Richard Self: I'm sorry; what would that be?

Q90 Theo Clarke: How do we ensure that the existing groceries supply code of practice is consistent, so that we have fair dealing across the whole supply chain?

Richard Self: I probably do not know enough about that. The code does a good job in helping the process. Co-operatives are my area of expertise. It would be good if that included co-operation and collaboration as it would help redress some of the balance of fairness within the supply chain, but would be for the benefit of the whole supply chain if handled the right way.

Q91 George Eustice: I wanted to return to the issue of dairy contracts, and whether there should be a continuation of the special exemption for dairy co-operatives. What is the remedy for a farmer who finds himself trapped in a long-term contract in Arla, a huge pan-European co-operative, where he is not happy with the price he is getting or the way the organisation is being managed, but is unable to change either of them despite nominally having a share or stake in it? Should there be some rights for that individual member as well? Do the articles of association in co-operatives generally provide sufficient protection?

Richard Self: Obviously, there is a democratic process within the co-operatives in which you can vote people on who have a particular stance. The idea is to help control your own co-operative in doing what the membership wants. A co-operative should have a process in place whereby that can be fed into the co-operative to get the criteria right for that membership. The process of democracy within the co-operative should allow for that. I cannot comment on an individual case, but it is up to the members how they run their business. They should be able to set it up the way they want it.

Q92 George Eustice: I suppose the key question is: if the views and interests of a British minority, for instance, were compromised by the majority in a big pan-European cooperative because of a decision taken, should they not be able to exit with a set notice period, for instance, and have a clear mechanism for doing so?

Richard Self: I would hope so, yes. But I am not an expert in the dairy industry, so I would need to investigate that further; we are happy to look into that. I have good contacts with our dairy co-operatives and can help feed that into the system.

Q93 Daniel Zeichner: Earlier, you touched on some of the opportunities around data. Will you amplify on that? What support might be needed to make the most of those opportunities?

Richard Self: Increasingly, farmers will have better data on their anticipated crop yields, milk yields or whatever. They can collect that raw data, and farmers can trust their co-operative to handle it in the right way for them. That data is useful and is worth money to others in the supply chain. It is a question of how they can work together to maximise the use of that data for the benefit of the supply chains they are working in.

Q94 Daniel Zeichner: Is that an issue of scale, or an issue of co-operation?

Richard Self: Obviously, the more data you have across an area—information on yields, or even perhaps on the supply side, on agrochemical use and the anticipated use of crop-protection products—the more it helps you to manage supply and demand going forward, which helps improve efficiency and productivity. Co-operatives

are in a really strong place because they are working on behalf of their farmer members, and they can use that data in the right way to help the whole supply chain.

Q95 Fay Jones: I have a question about risk management. I had to step out of the room, so I apologise if this has been covered. Often, farmers are at the very end of the supply chain and bear all the risk. We have a good example with the beef price at the moment, which is down very heavily at farm gate level but not so much at retail level. Could there be more in the Bill to provide more risk management support in the event of market volatility?

Richard Self: On risk management, the problem is that you put your crops in the ground or start to produce your animals well ahead, and you do not know what you will get for them. Mechanisms to control those risks against unforeseen events and so on are really important. If they could be built in, that would be very useful. Again, co-operatives have a role in that: you can pool your crops or your fertiliser payments to average out prices within a co-operative. That is the sort of thing that helps to manage risk. If you have a known price for a thing, or you get an average price over a period, you do not get hit hard if the price suddenly goes up or down.

Q96 Danny Kruger: That sounds very sensible. A huge advantage of a co-op system is that it can help its members share its red risk. It would be good for me, at another time, to understand more about the extent to which your members provide that kind of assurance mechanism for their members, but that is not my question. More abstractly, where do you think the opportunity is for a strengthened co-op movement in the regime that is to be introduced? Is it in enabling co-ops to partake in national and global markets, or in strengthening local production for local markets? I bet you are going to say both.

Richard Self: I would say both.

Q97 Danny Kruger: Do you have a sense of where there is more opportunity? Are you part of the local, anti-food-miles movement, or do you say, “No, we can take part in the global economy”?

Richard Self: I think there are some wins there for local things, but if we really want to make a difference, it has to be about getting a good market share of UK supply chains and then working with those groups to see how we can develop export markets around the world for high-value, high-welfare, quality products. There are some opportunities for that. It is a difficult area to get into—obviously, it is highly competitive—but with the story we have through our production methods and so on, we should be able to do that. Again, the point is that you need the right business model to add that value but then capture it back to the primary producer. The problem is that when a farmer produces something and it just goes off on a lorry and they do not know where it is going, they are price-takers and somebody else is capturing the value they have created. That is why we need to get the business model right for those groups.

The Chair: If there are no more questions, I thank Mr Self, and we will move on to the next panel.

Examination of Witnesses

Graeme Willis, Jim Egan and Jake Fiennes gave evidence.

3.25 pm

The Chair: We will now hear evidence from the Campaign to Protect Rural England, Kings Crops and the Holkham Estate. We have until 4.15 pm. Would the witnesses like to introduce themselves first?

Jake Fiennes: I am Jake Fiennes, the general manager of conservation at Holkham Estate in north Norfolk.

The Chair: Before I move on to Mr Egan, may I say that this is a huge room and the acoustics are terrible, so can people speak up?

Jim Egan: I am Jim Egan, technical advisor for Kings Crops.

Graeme Willis: I am Graeme Willis, agricultural lead for CPRE, the countryside charity.

Q98 George Eustice: Will you each tell us what you think have been the main shortcomings of the existing area-based common agricultural policy; whether we can, in the short term, modify it to make it work more smoothly; and whether you support the general premise in the Bill of, in the longer term, a move away from subsidies on land tenure to support for the delivery of public goods?

Jim Egan: From my perspective, one shortcoming is that the current system does not allow fully integrated environmental and farming management. It does not let the whole lot sit together, which causes issues. One of the biggest shortcomings of the current system is its administration in my specialised area, agri-environment schemes, which will put people off, as it has in the past. I do not really want to go much further than that, Minister. There are lots of things, but that is my area of expertise.

In terms of modifying in the short term, my personal view would be not to, particularly on countryside stewardship. I do a lot of work directly with farmers on getting stewardship schemes in, and I have never seen so much demand as this year. I already have 65 people on my books wanting to do the modified schemes. There are obviously things pushing them towards that, but the simplification of the actual stewardship process has been good. We just need to get the payments and other things right in the short term, to provide certainty.

If I was going to modify anything within the wider BPS system, I would perhaps modify the three-crop rule, so I could say that we had done something. However, I think people are used to it, and it is actually very important, in a time of turbulence, that we keep it as stable as we can at the moment.

Sorry; what was your third question?

George Eustice: Do you support the general thrust of the future policy, moving from subsidy on land tenure to—

Jim Egan: Yes.

Jake Fiennes: If we split it into pillar 1 and pillar 2, the current BPS is rather clumsy and, in places, overly simplistic. We have the ecological focus area ruling within that, which, as Jim refers to, is cumbersome. The three-crop rule and hedge-cutting dates sort of tie farmers into a knot; they are unable to be flexible.

In the short term, farmers are preparing for a transition period, which will start in 2021, according to the current Secretary of State, although I know that some are pushing for that to be extended, because we have just seen a delay of this whole process. However, farmers are slowly taking on board that there will be seismic change within their business. It has happened over a very static two years, but we have seen a real momentum, and there is a general acceptance among those within the industry that this is coming around the corner. If they have an ability to prepare their businesses by going into the current schemes—I think the new stewardship scheme was opened today. I have not looked at it, but I think the detail made it easier and more user-friendly.

We have to put the past aside, with all the issues that we had with the RPA, Natural England and late payments. I think we have moved on from that, and I think this year was an example of the RPA demonstrating very swift payments, and the current stewardship payments are being rolled out as we speak. That is all very positive. Again, I see a greater uptake of the current schemes—the countryside stewardship higher tier and middle tier, and also the simplified scheme.

That will get farmers ready through the transition period, which comes on to the Minister's third point, where I am in full favour of it. A slight redrafting of the Bill—talking about soil and productivity—basically got the entire land-based community on board.

Graeme Willis: I think it is well attested that the CAP scheme is inefficient, ineffective and inequitable. People such as Allan Buckwell and Alan Matthews have made that point, and DEFRA's own research has shown that, and there have been statements, so we very much support that view. In terms of the current countryside stewardship schemes, as Jim said, it is very important that farmers keep faith with those schemes. The simplification has been very helpful.

Certainly within DEFRA, I have been making the point that those schemes are probably under-commented on, because we have a 2030 deadline for addressing climate change by cutting emissions very significantly. Four years through to when ELMs beds in is a very important period in which to get trees in the ground and to get peatland and other high-carbon soils restored. It is very important in this phase to keep putting money in and investing in farming. It is very important that farmers keep faith with that, and the schemes have been expanding, which is very welcome after a rocky start.

We believe that public goods for public money is the right way forward. It is the absolute crux for enhancing the environment, obviously addressing climate change and biodiversity issues. But, as Jim said, it is very important to harmonise what farmers do in producing food and other goods with environmental improvements which we know are very necessary. Bringing those two together is critical so that they are not seen as oppositional.

Q99 George Eustice: If at one end of the scale you have what could be called the broad and shallow but largely universal interventions that most farmers would sign up to—catchment sensitive farming or hedgerows—and at the other end you have land use change through peatland restoration or new woodland being established, what should be the balance between those competing priorities in order to really deliver for the environment?

Jake Fiennes: Are we referring to the blueprint of ELM?

George Eustice: Yes, in the new scheme.

Jake Fiennes: We have the regulatory payment. I hear of calls for up to 30% of existing payments that farmers receive, which is about £200 per hectare. I am certainly not in favour of that, because it will not encourage stakeholders to go into the middle tier and I think you will see a great uptake in the middle tier. On the final tier, which is landscape restoration, whether it is on a catchment basis, if we are going to have sustainable, functional land use, it has to be at scale and deliver all the climate change issues and soil regeneration. All these processes will go into the final tier and, having listened to some of the comments earlier about the smaller farmers not working well together but the bigger ones working better, we are seeing a great uptake of facilitation funds and cluster groups. This whole movement is happening. I would not encourage the lower payment to be a major factor, because we would basically go back to a reverse BPS system.

Jim Egan: My way of answering that would be to look at the fact that in the majority of lowland England, if you split it that way, you will find farmers taking up more than you think, if it is properly rewarded, if it is linked in by the rest of the industry and it is linked together. You quite commonly talk to farmers now who take out anything between 5% and 15% of their land to manage it “for the environment” and also recognise the real benefits of changing what they do: introducing grass lanes to help with grass weed control and to build soil fertility, which helps with cleaner water and so on.

I agree wholeheartedly with Jake that there is a sea change coming. A lot of people stood back, because of the political uncertainty, but they are ready for that. The higher extremes you referenced, such as peat restoration, will be a focus in an area where it can happen, getting those landowners together and talking about it. It will take time. I do not think they are completely divorced and different.

On woodland, it will fit when people start to see natural capital, particularly the natural capital potential of their land, and they have choices of what to do. Then woodland will start to happen, especially where you can get people working together and you can make the links. I would be positive about that.

Q100 Daniel Zeichner: I want to put to you a question I asked earlier witnesses. I think that the CPRE was one of the signatories to the letter to the Prime Minister expressing concern about the potential problems with importing food with lower environmental, welfare and health standards. Why did you sign that letter and what should be done in the Bill to tackle the issue? That is particularly aimed at Graeme.

Graeme Willis: In terms of maintaining standards, we are very concerned—I know that statements have been made about supporting high standards—that undercutting those standards through imports would undermine farmers' incomes, as well as their ability to perform environmental management. I know that an amendment previously tabled to the Bill sought to introduce a broad requirement that any international trade agreement that was to be ratified must be compliant with UK standards. We think that is a major omission and one of the major things that needs to be addressed in the legislation. We have a common cause with the whole of the farming sector on that. The whole of the NGO environmental sector takes that view. It is a very important element and condition.

Q101 Daniel Zeichner: Thank you; that is helpful. Jim and Jake, you are very enthusiastic and positive about the change on uptake in stewardship. That has been a long time coming, has it not? What has changed so dramatically, in your view, to make that happen? In the transformation of ELMs, would you agree that it would have been helpful for this discussion and process to have a bit more detail about the Government's thinking on how it will work?

Jim Egan: Regarding possible current uptake this year, I have always been positive, and I have been proved wrong, year on year, as I am often told by DEFRA's agri-environment group. This year, in particular, people have heard for a long time that BPS will start going down. They have seen their neighbours' farms going into the simplified scheme, although not in huge numbers. I work with a company that provides agronomy advice, and the agronomists are starting to understand it.

The weather this year in the east midlands, my patch of the country, has meant that there are farms with no combinable crops in the ground at all—not 5% or 10%, but none. That has made people think. It has made people think about sustainable income streams, support, unproductive areas and what they could do differently. There is a whole raft of different things. There is also a question of who sells it. If you sell it directly and positively, people will do it. If you are negative and you harp on about late payments and so on, the meeting will leave you. I tend to be positive about it. Perhaps that is why I have a long list of people wanting to work with it.

Jake Fiennes: When you put economically sustainable agriculture to a farmer, he may have had 47 years of being paid just to produce food, irrespective of the quality, quantity and yield he produces on his land. They must realign their business. If we see this transition period take place as of next year, some farmers will lose anything from 5% to 20% of their support income.

Agri-environment helps them through the transition period financially, but it also gets them to understand. At the moment, farmers lack good agricultural environmental advice. That is what we don't see enough of: advice on the ground. Farmers are a particularly fickle community. They are wary of individuals they do not know, so the advice has to come from individuals with whom they have had previous relationships, whether through their agronomy, because we are seeing agronomy become more open to environmental delivery, the Farming and Wildlife Advisory Groups throughout the country, or Natural England, which changed the game of agri-environment 20 years ago. The advice on the ground is key.

If farmers are sold an economic reason and then have an ability to deliver the environmental goods, whatever they may be, through sound advice, we will see greater uptake. The reason we had the stop-start scenario with agri-environment was, as Jim referred to, late payments—"Am I going to get paid for it?"—or commodity prices. We have seen the volatility in commodity prices. If I am getting £200 a tonne for my milling wheat, why do I need to go to an agri-environment scheme when I have already invested in the men, the machinery and the infrastructure to deliver that crop? It is an evolving, moving process, but they are definitely coming more on board with it.

Q102 Daniel Zeichner: May I press you on that point? This is a big transition that is envisaged, possibly over a compressed timeframe. Is there the capacity to provide the advice and to do the negotiation? If there is not, what needs to be done to get it in place?

Jim Egan: I think there is underlying capacity out there. There are enough people to do it. There will be a change of mindset in some sectors, but bear in mind that business is seeing some of the opportunities here as well. Jake is right: it needs to be somebody the farmer trusts—there is a wide range of advisers trusted by farmers—and the advisers need to believe in the scheme. Many advisers have not sold environmental work for the past five years, because they do not believe in the scheme; they do not want to put their name on the line when the payments are late, and when the agreement does not turn up for a year after you have entered into it.

You should not underestimate the impact that that has, because if your adviser walks up the drive and says, "I can't put my name to that, because I can't advise you about that future income and part of your business," it puts people off. We are starting to get a lot of certainty now about stewardship. I know it will change and evolve, but we need that certainty of scheme and of process. The advice is there; people just need to believe in it.

Q103 Mr Goodwill: Many land managers derive significant income from the sporting potential of their farms or estates—not just from the sale of game, but from the people who pay to stalk or shoot or to catch salmon in their rivers. Indeed, before agri-environmental schemes came in, the farms and estates managed in that way were probably the ones already doing what we want them to do now. How important do you think it is that any new schemes under ELM dovetail in with the way that these estates are being managed? Do we need to take particular account, for example, of grouse moors and the uplands, where we have a fragile environment that, if managed in a different way, could well revert to what some might see as a carbon sink, but others would see as a downgrading of that precious environment?

Graeme Willis: Referring to uplands, we have signed a letter to say that we want peatland burning to end rapidly, and the Committee on Climate Change has taken the same view. I want those landscapes to be managed in a re-wetted form, which might help different forms of game. It might not be the same kinds of game management.

Q104 Mr Goodwill: Is that blanket bog or the dried heathland and moorland?

Graeme Willis: The blanket bog, essentially. That could be re-wetted and improved upon, and I think you would get different game. You would not necessarily get the same driven grouse shooting, but it is important to take into account what game management could do in those areas and how it might adapt to that. It would be a different form of activity, but very important. I take the point about large estates, but Jake can say far more about that; it is important that you maintain that kind of management. It has a lot of environmental benefits, certainly in integrating woodland into those environments and into the farming.

Jim Egan: I have no experience of upland, so I will not try that one. I used to work at the Allerton project for GWCT, and my experience of lowland game management is that, where it is done very well, it is very good. It encourages woodland management, habitat management and the provision of wild bird seed mixes, pollen and nectar. You are right to reference the fact that many of those estates were doing that work before agri-environment and working with agri-environment. We need to be careful to ensure that that management is positive and good, because, like everything in life, there are good and bad shooting estates. For me, it comes back to farming and the environment, completely melded and meshed together. Sporting activity is part of the rural environment and needs to mesh in with it.

Jake Fiennes: It is an Agriculture Bill and game is not agriculture. We have to remove game, because it is just a landscape pastime. The environment can benefit game. The game community has enough issues to deal with on its table, but we can see that game interests have evolved over the centuries. They will be more crucial in the delivery of environmental goods. Those with a history of managing with a game interest see the benefits. The Allerton project is a great example. The Duke of Norfolk's estate in Peppering is specifically targeting game, but the benefits to the wider environment are huge. All the game interests form part of an agri-environment scheme, so they are sort of intrinsically linked. Where it is done well, it is done very well, and where it is done badly, it is an environmental disaster. Those with game interests will have to change, which is no different from how those with food production interests will have to change.

Q105 Mr Goodwill: Could ELMS incentivise those positive changes?

Jake Fiennes: I think the ELM schemes will do exactly that. If we can demonstrate better land use for our land that is less productive—use for the environment, biodiversity, carbon storage, cleaner water and cleaner air—everyone gets to benefit.

Q106 Kerry McCarthy: Did you just say that game should be taken out of the Bill altogether because it is a leisure pastime, not an agricultural pastime?

Jake Fiennes: Game is not agriculture. Game has never been part of agriculture. Forestry is agriculture; farming, dairying and beef production are agriculture, but game sort of sits on the sidelines and is not part of agriculture.

Q107 Kerry McCarthy: I thought that the whole justification for game shooting was that people eventually eat the birds, even though we know that they could not possibly consume as many as were shot. Perhaps we will agree to disagree on that issue.

Jake Fiennes: It is a technicality, but game has never been—

Q108 Kerry McCarthy: You have farmed game birds that are released into the world to be shot.

Jake Fiennes: But a game farmer is not a farmer. He is not a poultry producer either, strangely. Sorry, but it is a real technical difference.

Q109 Kerry McCarthy: Well, we probably do not have time to go into that. This is probably a question for Graeme, to start with, but others can chip in if they

wish. I have two quick questions. First, still on the management of peatlands issue, game shooting and particularly grouse shooting can be very lucrative for estate owners. Is the mechanism in the Bill about rewarding farmers who re-wet the peatland or manage the moors in a certain way ever likely to be enough to encourage them to do it, or do we need the ban that you are talking about?

My other question is that you mentioned your views about county farms, and I am keen to see what you think should be in the Bill. I think there is general support for the idea that county farms are a good thing, but that does not necessarily mean that they need to go into the Bill. Can you say what you think needs to be in the Bill on that front?

Graeme Willis: On peatland, it interesting how broad that goes in terms of land management. Going back to the Minister's question, I would imagine that large-scale restoration might well be part of ELM. The public goods statements are quite broadly framed, but they do talk about soil, and the supporting position statement talks about soil and peat.

Q110 Kerry McCarthy: And the climate change thing, possibly.

Graeme Willis: Yes, climate change being one of the objectives. It is very important, given we know the level of emissions from upland peat, that the intentions of the Bill should cover those areas and ELM should be able to deliver on that within that wider land restoration component, if that be. I think that will be very important, because where else will the resource come from to do that? The 25-year plan had a £10 million fund. Scotland has committed £250 million for restoration, so we need money to be identified that can go towards that restoration over the longer period. There is an issue about the viability of those peatlands in the long term in a warming climate if they are managed in a different way. That makes things even more contentious.

I am pleased that you mentioned county farms. I am not a specialist on entrants, but I think something on supporting new entrants should be in the Bill through an amendment to that effect. The Minister has spoken about investing in county farms on several occasions and to the EFRA Committee. He welcomed the idea as a very interesting development. The farms could be invested in so that they can produce more peri-urban horticulture, for example, which might be one way to make smaller units viable. As was referred to earlier, there is an economic question around those. An amendment to invest and fund—or to give the Secretary of State powers to invest and fund—county farms to be developed and improved for wider purposes, would be great.

We would also consider asking for a protective lock on county farm estates while they can develop new wider sets of purposes, so that they can be invested in for the future. Wider purposes in terms of mitigating and adapting to climate change, supporting connection to the countryside, access to land and landscapes and the realities of farming, would be very welcome.

Q111 Virginia Crosbie: Mr Egan, you mentioned that inspection regimes have to be fit for purpose. Which regimes do you think need to be changed under the new legislation? I am also interested to understand from you what success looks like.

Jim Egan: When you are on the receiving end of the inspection regime does not seem proportionate at all at the moment. It is heavy-handed. We all accept that there must be rules and that there has to be an inspection, but you are working on a farm, on a shop floor that has no straight edges. When somebody can come and deduct a payment for being four decimal places out in area, which is what it could go to, it does not feel right. It actually puts an awful lot of people off engaging with agri-environment schemes and measures because of the pure fear of the inspection. The inspectors are great people—they are doing a job—but they do not engage during their inspection process. There is a finality to the inspection process that says, “Mr Egan, you are wrong.” There is an appeals process, but there is no face to face. That is not a very nice place to be.

It would be better if it was done in a much more approachable way. We all accept that a lot of money goes into the industry, but we should be approachable. We should be able to say, “Oh, I didn’t quite get that right.” If it is a minor infringement, it is nothing. There will be something else on the farm that delivers above and beyond what it was intended to, but it is never taken into account.

When I worked at the Allerton project, we had three inspections in seven years. That is in a place where there is a board of trustees, a management team and we all get on. There is a lot of pressure on the people responsible for that. Imagine being on a farm on your own. It is not a good place. It needs to be more human and a better process.

As for success for me, do you mean in terms of the scheme or the inspection regime?

Virginia Crosbie: In terms of the scheme.

Jim Egan: In terms of the scheme, it would be everybody engaging, and engaging willingly and talking about it.

Q112 Deidre Brock: On the face of it, the Bill seems to be for the support of farmers, crofters and agricultural activities. Getting back to what you were saying, Mr Fiennes, about grouse moors, it sounded that you thought their activity should not be part of the Bill, yet in part 1 of the Bill, the clauses around financial assistance are certainly drawn loosely enough that it could apply to shooting estates, as well.

Jake Fiennes: I don’t think I was referring to grouse moors specifically. I was referring to game shooting as a community.

Q113 Deidre Brock: Okay. Do you think it is appropriate, then, that shooting estates receive financial assistance as a result of the Bill? If not, should it be redrawn more tightly, so that they could be excluded? Is that what you think?

Jake Fiennes: Well, no, I think there are clear benefits from grouse shooting. We can see greater biodiversity on well managed grouse moors. If we look at the burning of peatlands, on Saddleworth Moor last year a huge area of moor had very deep burning within the peat; that was an area of moor that was not managed for grouse, because the heather was very poor, and it was a tinderbox that caught fire very quickly. We must understand the benefits of well managed grouse moors to a landscape that is iconic to the English uplands: 70%

of the world’s heather moorland is in England, so it is a key habitat. Admittedly, there are some quite extreme management techniques in places, which we are quite aware of, and the industry is looking inward on how to address that.

Q114 Deidre Brock: I hear what you say. Do you think it is appropriate that financial assistance could be given to those estates as a result of clauses within the Bill, or do you think that the clauses should be redrawn to exclude those estates?

Jake Fiennes: A payment system that rewards farmers and land occupiers for delivering public goods should not exclude anyone. As Jim just said, this has to be open to everyone.

Q115 Deidre Brock: Okay. Would those be the views of Mr Willis and Mr Egan as well?

Jim Egan: I do not get involved in policy; I have never worked in it.

Graeme Willis: In terms of the breadth of it, I think it is still open to question as to how wide it goes. I am on the stakeholder engagement group, so I am limited in what I can say because of confidentiality about that. However, I have certainly seen a slide that shows how wide it might go, and there might be questions around whether it includes, for example, airport operators, which have large tracts of open grassland that they need to manage to keep trees off. Could they do positive things with that?

I think there is a very important question about the amount of resource available and whether those are the right people to receive that resource, as against farmers, given the context we talked about, the viability issues going forward and the cuts to basic payments during the transition. However, something to address the issues across a broad landscape is very important.

On whole-farm areas, we would not want large areas of farmland managed very intensively within a system in which other areas are just managed for public goods. I think they need to be combined and harmonised, as we said before, so that land is shared and used in the very best way, for the environmental benefits and for good, sustainable food production.

Q116 George Eustice: I return to Mr Egan’s point about the control and enforcement regime. If you are close to the schemes, you will be aware that the introduction in the latest EU scheme of a common commencement date—so that everybody had to start at the same time, which caused all the predictable administrative problems for everyone—combined with the introduction of the IACS enforcement regime drove the terrible, draconian regime that you describe.

One thing we have described for the future scheme is that you would instead leave all that behind, and individual farms would have a trusted, accredited adviser on agri-environment schemes. That could be a trusted, accredited agronomist, or someone who works for the Wildlife Trust or the RSPB, and they would be trained to help put the schemes together. They would visit the farm, walk the farm with their boots on and then sit around the kitchen table and help an individual farmer construct a scheme.

We are obviously testing and piloting and trialling that now. If that system could be made to work—an altogether more human system, as you said, because a trusted adviser would do the initial agreement and would maybe visit the farm three or four times a year, not to inspect but to be a point of advice—how many farms can a single agri-environment adviser with that type of remit realistically do?

Jim Egan: It would depend very much on type, size, place, aspect and everything. I do not think you can put a number on the people that you could hold as clients. I actually do not know how many clients my agronomy colleagues have, because I am new to that business. However, where I work, I would be perfectly comfortable managing 40 or 50 clients and working through with them.

The main premise is not to overlook that that process of walking the farm with a trusted adviser already happens for countryside stewardship. Most farmers will take advice and will rely on somebody working with them. The opportunity that comes from splitting out and putting everything into ELMS—including all the basic payment elements, so that it is one big agricultural and environmental processing scheme—actually means that you can widen that advice and make it broader. The trick will be that those advisers will have to have knowledge of the farming business and will have to talk to others within the business. Even on a small dairy farming unit, they will have to talk to the vet, the feed merchant and the farmer. It is a facilitation skill as much as anything else, and it will require an understanding of how those farming sectors work.

This is definitely the right way to go. We will need professional advice to do that. A farmer doesn't grow an arable crop without an agronomist. You don't grow beef cattle without a vet or a feed merchant. So why should you not have what I would call environmental facilitators?

Q117 George Eustice: Based on your assessment of 40 or 50, you would need somewhere in the region of 1,500 to 1,800 of those in England to cover most farms. Is there capacity at the moment in the agronomic and environment NGO world to allow people to go for training and accreditation? Or is it your view that it would be better simply to recruit additional staff at Natural England or the RPA to do it?

Jim Egan: First, I do not think they should be recruited by Natural England or the RPA. Within the supply chain, there are probably sufficient people. An agronomist has to be trained and to get your agronomy diploma you have to do a BETA—biodiversity and environmental training for advisers—certificate in conservation management. It is only a three-day course, but it is about awareness. Whoever is drawing up the scheme will need to pull on other skills and pull and bring the environmental community and the farming community together. A good person does that already. I do not think you need a new qualification. The qualifications are there. The BETA certificate in conservation management and that type of approach already addresses some of the issues. It would probably need an upland module and a little bit more focus on grassland, because it is an arable-focused course.

I also believe that it is Natural England or the RPA's responsibility, if they get a bad application, to send it back. I went to DEFRA and Natural England about

eight years ago and asked for that to happen and it never did. Natural England continues to re-work bad applications. Once you do that, the farming community will soon know not to go to that person. It doesn't need degree level; it needs an element of a qualification, a CV and management by a managing authority that is not afraid to take people off the list if they are not doing the job properly.

Q118 Fay Jones: Clause 13 provides the power to opt out of direct payments in favour of a lump sum, and therefore opt out of agri-environment schemes. Do you see that as a risk of losing a skillset within the agricultural sector or an opportunity for new entrants and new ideas?

Jake Fiennes: If I am brutally honest, I do not think the Treasury would sign up to that. If we all opted out, we couldn't afford it. I am intrigued that that is still on the table.

Earlier you referred to land values. How to devalue very quickly? Everyone opts out and land values plummet—in an industry that is generally reliant on that support in the way it currently manages land.

Graeme Willis: When I heard about this in the original Agriculture Bill, I was concerned that no constraints were placed on that money. I was not clear about the rationale for that. If the rationale is for new entrants, there is an issue if that is only done through land prices falling. I am not convinced that we can guarantee that when a farm is sold, a new entrant will get that farm. There is no control over that, so it seems too broadbrush. It also seems somewhat a hostage to fortune because large amounts of public money being paid out for what is not a clear set of purposes could play very badly with the public; other people have raised that concern. If that were tied to some investment into the farm, there is an element of advantage there to having a lump sum to invest that could meet the other purposes to improve the farm's environmental performance and productivity. Also, it could be good if it were tied in some shape or form to supporting new entrants.

Earlier, there was a mention of share farming—some form of succession where there is no son or daughter to pass the farm on to, some mechanism where that was locked in to ensure that a new entrant could get on to a farmstead and actually learn. You mentioned skills: they could learn from the skills of the farmer on that farm and not lose the knowledge of the land, the aspect, the farming and the culture of that farm, and pass that on to a new, younger or older person with a different set of skills. That would be really interesting.

I see it as too broadbrush and not clear at the moment, and I have concerns. I understand that that will be consulted on, but I am not sure whether that is clear from the Bill as it stands, or whether that can be clarified.

Q119 Miss Dines: This question is for Mr Egan. I represent Derbyshire Dales, which is a very large constituency. As well as many large estates, there are many small farms. I was interested in your answer to the Minister about the point that you made in your written statement, that funding should be available for professional advice to ensure that we maximise the environmental benefits. How could that realistically be achieved for my small farmers, who, historically, have been reluctant to

[Miss Dines]

take advice due to independence, or simply could not afford to? There are a lot of young farmers—between 20 and 30—in my constituency. How could that be achieved, however admirable it is? What is your advice?

Jim Egan: I think it can be achieved. The current example of facilitation funds in cluster groups is an absolute classic for that type of farming. I think that there is a facilitation fund in your constituency; there is certainly one not far away. Those farmers could come together. I am not a believer in “one farm, one advice”. If there are six people who farm together with smaller farming units who want to go into a scheme, and will achieve better environmental outputs if they all work together, we can give one set of advice to all of them.

We need to think really differently about where we are going now. It is not just about one-to-one advice; it is about one-to-six advice. It is about, when you put the scheme together, providing the training to those six to implement the measures. I think that it is completely affordable, and it works. We just need to think differently about how we put these things together.

Q120 Daniel Zeichner: Since the previous Agriculture Bill started, obviously the world has changed in some ways. There is a greater understanding of the climate crisis that we are facing. More work has been done by the Government’s Committee on Climate Change, including very detailed suggestions for land-use management released only a few weeks ago. Would you expect to see some of those proposals begin to make their way into a Bill such as this, and are you surprised, as I am, that there is no aspiration within the Bill to hit a net-zero target at some point?

Graeme Willis: On where those targets are expressed, we know that the Environment Bill has been laid before Parliament. The relationship between the Agriculture Bill, the Environment Bill and all the other policy instruments is very interesting, and remains to be resolved. If you had gone in the right order, it might have been that you had the Environment Bill, then the 25-year environment plan, and then the Agriculture Bill, because the main funding mechanism seems to be environmental land management, which would deliver on the kind of targets that you set through the 25-year plan. That can be established through the legislation in the Environment Bill.

I am not sure whether it is right to put a target in this Bill at the moment—it may be a commitment by the Minister—but I think there is a possibility of introducing further regulation that might address that. Obviously, there is the Environment Bill. One of the complicated issues is whether the Agriculture Bill could reference the Environment Bill, because it has not received Royal Assent. There is a question about how we address targets, and whether that is set out through the Office for Environmental Protection, for example. It is a complicated relationship.

I think that the situation has changed, and therefore what the Agriculture Bill is able to do, and the amount of funding that comes forward to deliver on those targets, is critical. Clarity about the long-term funding arrangements is therefore very important, as well as how those would seek to address the climate change issue.

Q121 Daniel Zeichner: I very much agree with you about the complex interaction between the pieces of legislation, but we know that the sector produces a certain amount. Could there not be a target for the sector?

Graeme Willis: A target for the sector would be very interesting. I know that the NFU has come up with its own leadership statement of a 2040 target. It would be interesting for the sector. I would flag up that when emissions from agriculture are referenced they are land use, land-use change and forestry emissions, which relate to agriculture. Peatland use, particularly, is not mentioned, which is very high indeed—particularly on lowland peat. Those need to be factored in. It is of great concern that those do not get mentioned adequately. I think there are powers within the Bill to address those.

I suspect that if you had sector targets for agriculture you would argue for targets for other sectors. I am not sure whether those are in place. In the agriculture sector, I think that there will be ambition, given the right funding, to do a lot more on climate change, certainly in terms of locking carbon up in soils, where it belongs, rather than losing it to the air. There is great potential for that.

Q122 Mr Goodwill: I am trying to get my head around the deal in payments with respect to an early retirement scheme. When answering an earlier question, you talked about the way it could affect the value of the land. Could there be a situation in which a tenant takes the money and runs, and then the landowner is looking for a new tenant but without the agricultural support? It is difficult to attract one. How will the environment be managed if the payments that would have been forthcoming for the environmental land management schemes were not there? What would happen in practice in a situation where a tenant takes early retirement and takes the money, and then expects the landlord to pick up the pieces?

Jake Fiennes: There could be a technical mechanism relating to tenant’s dilapidations from the landlord’s perspective. The landlord could seek to recoup that if he was going to devalue the land by taking those future payments away. There is a technical mechanism that allows that to happen. That strengthens the landlord’s ability to retain that land to rent to others or to new entrants. It is important that there is some kind of mechanism within the Bill for that. Potentially there would be land abandonment because it has no value, or we would see deep intensification of land areas that have no support mechanism. Then we are trying to deliver environmental land management on a landscape scale, and we have these blackspots in between with no support mechanism. That would be my concern.

Q123 George Eustice: On that point: do we want land rents to stay as high as they are? Would it not potentially be beneficial for landlords to have to fight one another to attract tenants on to their land?

Jake Fiennes: Land rents are artificially high based on the support mechanism. We will see that slowly diminish. Commodity prices will periodically affect land prices. The horticultural sector does not rely on support at all. The average age of the British farmer is 62: land rents are overly high and they will be reduced, thereby

suddenly allowing new entrants to come in who will be more open to environmental land management and public goods proposals. We will see a wholesale change. We are expecting a recession in agriculture through this transition period, for all the reasons being discussed today. Where there is change there is opportunity, and the opportunities are there for another generation to move in and manage land environmentally, economically and sustainably.

Chair: If there are no further questions, I thank the witnesses for attending today on behalf of the Committee.

Examination of Witnesses

Judicaelle Hammond and George Dunn gave evidence.

4.13 pm

Chair: We will now hear evidence from the Country Land and Business Association and the Tenant Farmers Association. We have until 5pm. Welcome; please introduce yourselves.

Judicaelle Hammond: I am Judicaelle Hammond. I am the director of policy and advice of the Country Land and Business Association.

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

Q124 George Eustice: I will ask a question that I asked the National Farmers Union earlier: if we had a world in which there were no basic payment scheme payments—no subsidy on land, tenure or occupation—and tenants came in and only paid the rent on which they could still turn a profit, what is the correct value of land rents in an upland area, or a typical lowland area?

George Dunn: That is an interesting question, and one to which there is no simple answer. There are two codes of tenancy in play. One is the code under the Agricultural Holdings Act 1986, and one is under the Agricultural Tenancies Act 1995. The 1986 Act has a formulaic approach to rent. It steers you away from the market. In my view, if you look at the rents that are on Agricultural Holdings Act tenancies, they are probably more akin to an affordable level of rent. We are seeing around £80 per acre on arable, £50 to £60 per acre on grass and up to £100 per acre on dairy.

The farm business tenancy rents, which are driven by tender rents quite a lot, are far too high. We often see rents for arable ground in excess of £200 per acre and over £200 per acre for dairy ground. Those are clearly unsustainable. I would direct the Committee to look at the sorts of evidence you would get from the 1986 Act as to what a reasonable level of rent is.

Judicaelle Hammond: I do not think it is that easy. As George was saying, several things make up land rents. One of them is what you can get for what you do with that land. It is right that it should be left to the market. It may well be that some of the rent levels are unsustainable. I think they will probably adjust as we change regimes, but I do not think that being bound by a formulaic rent system is a good idea in a system where there is uncertainty in trading conditions and there needs to be some flexibility.

George Dunn: To add to that, the problem with an open market system is that the market is so slim, and the evidence is so hard to come by. Therefore, you tend

to be driven by the froth in the system—the tender rents. If you look at DEFRA's own figures, the average farm business tenancy rent on an arable farm is about £100 per acre, but the tender rents suggest they should be double that. I just think we need to ensure that we are not wholly going with the market level.

Q125 George Eustice: I suppose the point I was making was less to do with the market. If you removed from the market the roughly £100 per acre basic payment scheme payment—if that just vanished—what is the land then worth to rent? I am assuming that it was a market rent, but it would become, potentially, a buyers' market rather than a sellers' market, as now.

George Dunn: On that point, we would see the farm business tenancy rents under the 1995 Act move more towards the level of rents we would see under the 1986 Act. They might fall a little bit, but because they take into consideration the productive and related earning capacity of the holding, that would reflect better what that holding can physically produce.

Q126 George Eustice: I have a linked question, although it might be too complex to answer. From the CLA's point of view, at what point does it cease to be worth renting land and start to make more sense to bring it in hand and farm it yourself without a subsidy?

Judicaelle Hammond: There is no easy answer to that, because the circumstances will vary. I think it very much depends on what the person who owns that land wants to do with their holding. It may well be that, due to questions other than just land rents, they want to bring it in hand. It may be that there are other things they want to do on that land—for example, tourism or something completely different to agriculture—or it may be that renting the land to tenants suits them and they will continue doing that. That will vary according to the owners' vision for the land and the stage they are at in terms of their business.

Q127 George Eustice: On tenancy issues, your organisations famously do not always agree, but on the future direction of travel for policy, do you both agree that a move from an area-based subsidy to payment for the delivery of public goods is the right way to go for agriculture policy? If you have any concerns about the development of that, what are your key concerns about what might go wrong in that transition?

Judicaelle Hammond: We would totally agree, as the CLA, that this move is the right move. We have been a proponent of moving towards payment for public good for a while now. The Bill is welcome. We also welcome the inclusion of soil quality, for example, and the consideration of sustainable food production and food security in the Bill. The fact that there is now going to be a multi-annual framework for financial assistance is also important, as is assistance for productivity improvement.

Regarding what we would want to see, there are two main aspects, as well as a number of other improvements, which I might talk about later. One is making sure that the transition is right. At the moment, we are missing information, not just about what is going to happen next year, but about residual payments for individual businesses over the rest of the transition years. We are

missing the kinds of details about ELMS that will make it possible for those businesses to make decisions about where they want to take their business, and in particular, of course, about payment rates. In the absence of those details, and given the uncertainty in trading conditions, we would like the start of the transition period to be pushed back by one year without moving the start of ELMS.

The other issue that we have is about trade standards, which the NFU and others have spoken about. We certainly share their concerns.

George Dunn: I would take you back a little bit, Minister, and just say that we need to be really careful. Despite the fact that there is a great deal of criticism of the CAP, and the way in which the basic payment scheme operates and its impact on rents, we need to be clear that those payments are being received by individual farms right up and down the country that are doing the right things on the environment, animal welfare, consumer safety and all those issues. If we simply remove the BPS payment without properly thinking through the changes that we need to make, we risk the good work that we are doing. That is why we have been saying that we are making changes for a generation, and they need to be done well rather than quickly, so we support the CLA's stance on delaying the transition. We think that we have concentrated the work on ELMS, for example, too much to try to bring that forward into a sensible place.

Also, while we support the general move towards public payments for public goods, we see that move alongside the productivity elements, which we believe are really important as well. The Bill has a couple of lines on productivity, but we want to see much more about how that can work alongside creating resilience within farm businesses. There are also the trading elements and ensuring that we are not undercut by cheap imports from abroad, produced to standards that are illegal here; the fair dealing practices; and the issue of access to the tenanted sector. Schedule 3 goes some way towards addressing that sector, but it needs a little bit of work.

Q128 Daniel Zeichner: Good afternoon. In general, what changes would you like to see that would improve this Bill, from your point of view? I am particularly looking at George.

Judicaelle Hammond: The main one, as I said—I will not labour the point—is the delay in the start of the transition. It also seems to us that a couple of other things would be improved if they were done differently. For example, the multi-annual framework for financial assistance is five years. I can see why it has been done like that, but that means that it is at risk of being entangled with the political and election cycles. As far as I know, farmers in the EU—which is going to be our closest competitor—will still have seven years to plan. That is closer to the business cycle in agriculture, so we would favour lengthening the period covered by the multi-annual financial assistance framework.

The other thing that could be added to the Bill is a provision on rural development and, in particular, socioeconomic funding schemes. In the new world, that is going to be done via the UK shared prosperity fund, but that is not due to arrive until 2022 at the earliest. What would happen if that got delayed, or got into other difficulties? We would like to see some provision to make sure that it is possible for Government to continue socioeconomic schemes.

Those are two important improvements. We would also want to make sure that any moneys that are recouped from direct payment, particularly in the early part of the transitions, are used for productivity and ELMS pilots and do not go back to the Treasury.

George Dunn: We agree on the issue of trade standards. We think we need to nail that wholly into the Bill to ensure that we are not undercutting our high standards here and offshoring our issues abroad.

While there have been some helpful statements from the Government, we are concerned about some of the rhetoric that appears to be emerging, particularly from the Prime Minister's Greenwich speech, where there was an indication that we would not necessarily insist on our laws being protected in trade deals, which is rather worrying. Of course we were also promised free and frictionless trade with the EU on leaving the European Union, but we hear the Chancellor of the Duchy of Lancaster saying today that we need to prepare for issues at the border when we end our implementation period.

On the fair dealing section of the Bill, we should nail down the fact that that should be regulated by the Groceries Code Adjudicator. The Bill leaves it hanging as to who should be the regulator. There is a suggestion that the Rural Payments Agency has a role to play; I would disagree. As the CLA has said, we need a delay in the transition period by one year, which will give us sufficient time to think about these things more deeply.

The access for tenants to schemes needs to be addressed, because schedule 3 to the Bill provides a provision only on a "may" basis. We want it to be a "must" basis that the authorities come forward with regulations. Currently, that applies only to the 1986 Act tenants, not the 1995 Act tenants. As that is half the tenanted sector in agriculture in England, we think that should be changed.

On the food security section, we want the report to be annual, not five yearly. Finally, in the financial assistance plans, the missing thing is the word "financial". There is no commitment to say what the finances are going to be in any one year over the five-year period. That needs to be nailed into those plans as well.

Q129 Daniel Zeichner: Do you envisage that measures in the Bill will affect the lengths of tenancies that are negotiated?

George Dunn: There is nothing in the Bill that will affect the lengths of tenancies per se. Obviously there is the welcome inclusion of soil health within the public payments for public goods element of the Bill, which might encourage people to go for longer tenancies, depending on how the ELMS fits into that, but there is nothing specific that will do anything about the lengths of tenancies.

The Tenancy Reform Industry Group made a suggestion, because one of the things that landlords are concerned about is how they get land back if the tenant goes into breach. We are not interested in protecting tenants who are in breach. If we had easier-to-use provisions that allowed landlords to take land back if they had let for a long period of time, that might make them freer to do that.

There is also a need to look at the taxation framework, which goes beyond the Bill, but we hope that the Chancellor might say something about that on 11 March.

Judicaelle Hammond: Interestingly enough, we would support the introduction of provisions that enabled landlords, as you might expect, to get possession of the

land in the case of breach. The question for us is whether there should be a threshold on that. Our answer would be that two years or more would be better than any arbitrary longer threshold. That is certainly an additional provision that we could support if there were not an arbitrary threshold.

George Dunn: Our view would be that there would be no public policy use for such a short-term clause. If we are looking at longer tenancies, we need to find a way of encouraging them, so it needs to apply to tenancies that are of 10 years or more.

Q130 Danny Kruger: It is very good to hear that you both support the direction of travel of the Bill. We heard earlier from witnesses who were explaining how, under the direct payments system, it is often possible for the landlord to simply hold the subsidy and for the tenant not to receive the benefit. Do you think that the new system will align your interests? Can you give us an example where, possibly, the landlord and the tenant might disagree about an improvement? Perhaps the tenant wants to gain some support for sequestration or planting trees or whatever, but the landlord is in disagreement. Do you think that we are setting up conflict between landlord and tenant? Perhaps, Ms Hammond, you could imagine a really bad tenant and, Mr Dunn, you could imagine a really bad landlord. What would you be fighting over?

Judicaelle Hammond: It is really important to understand that, in most cases, we would expect agreement to be found. I think the reason why we do not like one of the particular provisions in schedule 3, which has to do with arbitration in case of disputes, is that at the moment it very much looks at the interests of the tenants, who might be gaining financially quite a lot, without necessarily having a balance of the interest of the landlord.

I will give you a few examples of why landlords might withhold consent. It might be about landscape protection. For example, the National Trust will have properties where they want to make sure that the landscape continues to be enjoyed as it is. Or it might be that something does not fit with the business planned for the whole of the holding—in particular, if you are looking at other areas of the holding that are currently in hand or are farmed by somebody else, which might be better suited to planting trees, because trees cannot grow very well in all places. Or it might be about putting buildings on land in order to create new activities.

As drafted, the schedule would mean that, in the case of a dispute, it would go to an arbitrator, and then the decision is binding on the landlord. That means that there could be really long-term and possibly irreversible decisions being imposed on the landlord. We see that as a really fundamental infringement of property rights, and that worries us. It is the absence of balance that worries us.

Q131 Danny Kruger: Do you mean that there should be an appeals mechanism, or do you think ultimately that you should not have to take the ruling of the arbitration at all?

Judicaelle Hammond: Ideally, we would not want this in the Bill at all. Certainly, if it were to stay in the Bill, we would want to see assurances that would redress that imbalance.

George Dunn: Just to correct something that you might have said in your question, for the basic payment scheme, which is being phased out, in 99.9% of the cases that would be going to the tenant, the occupier, who has the land at their disposal.

Obviously, within some of the newer farm business tenancies under the 1995 Act—which I referred to earlier, following the Minister's question—a landlord might expect to receive at least the basic payment scheme in rent, plus more, in terms of the tenant's willingness to pay rent on that basis, so there is a secondary move of the payment to the landlord, but the claimant is the tenant, and that is what the regulations say.

The bigger area that we have concerns about is the agri-environment scheme, where there has been this idea that you could have dual use, where a landlord could claim countryside stewardship and environmental stewardship while the tenant is claiming the BPS. We think that is wholly inappropriate, and we will ask for amendments to the Bill to define the rightful recipient of some of this money. It should be the active farmer who is in occupation of the land.

Responding to what Judicaelle said about the need for tenants to have access, all of Judicaelle's members will be entirely reasonable and will give consent to our members to go into these things, but we are looking for those beyond the CLA's membership, who are not always as reasonable. Sadly, we do see landlords withholding reasonable consent very frequently. "Reasonable" is the key word here. We are looking for a set of regulations. The Bill provides that there should be regulations, and those regulations will set out what are the reasonable terms upon which a tenant should be able to apply and insist upon a consent, for either fixed equipment or for access to a scheme.

If we take the issue of trees, for example, trees are normally reserved out of tenancy agreements. It is the landlords who hold the trees, so if there are any carbon credits available under the Bill, they will not be accessible by the tenant because those trees are reserved to the landlord. Perhaps that is something that needs to be thought through, if trees are going to be a really important part of the Government's policy going forward.

Q132 Simon Jupp (East Devon) (Con): How much confidence does the Bill and the general direction of travel give your members to renew tenancies?

George Dunn: The majority of my members are looking for longer terms; they want security. The average length of term on a farm business tenancy today is 2.9 years. Think of agriculture in terms of its long-term need to look at soil management, agri-environment schemes and so on. If you take land that has buildings it goes up to about seven, if you have land with housing, it is up to about 10 or 11, but we would expect those later ones to be even longer than that. Our members consistently ask for greater length of security of tenure. For example, if you go to a bank to borrow money to invest in your business and you can only show a three-year or a four-year time horizon, why would the bank lend you money to do any substantial investment if it only has a four-year period to pay that back? Even those tenancies that the CLA often claim get renewed year after year, are only for annual security. How do you go to a bank asking for support for something where you have annual security? We think there is a great deal of appetite for longer-term tenancies.

Judicaelle Hammond: I think my members want good tenants who look after the land and can pay their rents. They want tenants who are willing to innovate and continue to develop their business. It requires flexibility on both sides. I understand the appetite for longer tenancies and that can be agreed. However, what we do not want is a third party determining how two parties who are free to contract, contract.

Rolling tenancies happen and I therefore think that the figure of 2.9 years is a little misleading. We want a system that works for both parties, particularly in times of uncertainty. I would add that an awful lot of my members are somebody else's tenant. They have land of their own, but they might add to it, for scale, for example.

George Dunn: In a situation where we have 90% of all farm business tenancies in England now being let for periods of five years or less, there is market failure here, which the Government need to address.

Q133 Thangam Debbonaire: I would like to push you a little further on the security question. I recognise there are some differences here, but I think it is partly being presented as a question of equality, of a negotiation between equals. It does not quite seem that way from where I am sitting. Can we explore further whether more measures could go into the Bill to get the balance right for members of both organisations, but particularly Mr Dunn's members, for whom it is presumably harder to get land if they are moved from a particular piece of land than it is from Ms Hammond's members to get new tenants if the tenant has moved. Forgive me if I have got that wrong.

George Dunn: From our end of the spectrum, we do not want the Bill to have a minimum term for agricultural tenancies, because that will not help our sector at all. We want to see the ability for landlords, where they let long term or where they are nervous about letting long term, in case they get a tenant who they do not get on with or who does not pay their rent, or who does something to the historic landscape, if the landlord is the National Trust, to feel confident to let for a longer time, because they know they can get the land back early if there is a problem. We are absolutely on the money with that. There is what might be called an oven-ready amendment that could go into the Bill to achieve that.

Thangam Debbonaire: Oh, please don't call it that!

George Dunn: More widely, we think the taxation system needs to be looked at to incentivise longer-term tenancies and penalise shorter-term ones through the taxation system. Ireland has done some good things on the income tax side, which the Treasury could look at, but that is not something that would be put in the Bill.

Judicaelle Hammond: You will not be surprised to hear that I do not agree with that. I do not see that there is a market failure. There might be things in the market that are happening at the moment, because of the way that the system works, that may be unsustainable. We will see what happens when the BPS ends. If you look at some of the reforms that have been made, not in Ireland but in Scotland, it all but killed the rental market. That would not be good for my members or for George's. We need to be extremely cautious about putting things in

legislation and rushing them through without proper consideration of the consequences for both parties. That could lead to a market that is even more nervous than it is now and, as a result, becomes ossified. I do not think that would be good.

George Dunn: We certainly need to learn the lessons of what happened—what is happening—north of the border, but that should not be an excuse to do nothing south of the border.

Q134 Theo Clarke: Mr Dunn, I was struck by your comment about tenancies being too short and the fact that people are just staying 2.9 years and not longer. In my constituency I have a lot of county farms, but I also have a real problem with the lack of a new generation coming through. One thing farmers have raised with me is that because the subsidies will not necessarily continue beyond this Parliament, they can plan for five years, but not for 10 years. Is there anything specific we can add into the Bill to address that specific problem? I totally agree that this longer-term issue is the problem. If I am a county farmer in Stafford, I cannot submit a 10-year business plan because the Government are only guaranteeing it for the first Parliament term. Is there anything specific we can do to address that?

George Dunn: All businesses operate within a sphere of uncertainty about the future for their market and how they intend to run their businesses in the long term. Anybody who thinks they can do a 10-year business plan and stick to it after year five is thinking wishfully. The idea of having multi-annual plans is really good, but they need to highlight how much money will be spent and how it will be spent through those plans, rather than just vague indications of the way in which the financial systems powers will be played. If farmers had a reasonable five-year horizon to work through, that is as much as I think they would be looking for.

Judicaelle Hammond: I totally agree with the TFA that the more certainty in the future, the better. Part of the problem we have at the moment is that we do not have certainty past next year. Although there have been commitments to maintaining the current level of funding, so far they are, unfortunately, just commitments. We would welcome a quantification as part of the multi-annual financial assistance frameworks.

Q135 Theo Clarke: Is the delegated power included in this Bill, which allows the Government to extend the transition period, a good enough safety net if things did go wrong in the future?

Judicaelle Hammond: I am sure it could be improved.

Q136 Theo Clarke: In what way?

Judicaelle Hammond: I think that my lawyers would probably have my guts for garters if I tried to answer that question on the spot.

George Dunn: I think it is good that there is the facility to pause or extend. One would hope that there would be close consultation with the stakeholders to consider that. There is a doubt as to whether we can reverse, which might be possible. There is also the issue, which I know other witnesses have raised, that if you are taking money out of the BPS, and, for whatever reason, we are not ready to spend that through the new public payments for public goods or productivity schemes,

that money needs to be paid back to the recipients from whom it has been removed, until such time as the Government are ready to commit to that expenditure.

Q137 Mr Goodwill: Chapter 2, clause 8 deals with the possible extension of the period. I may not understand it particularly well, but it does not make it clear whether, if there is an extension to the seven-year period, that would pause the transition from BPS to ELMS, or whether that would just continue, but at the end of the seven years there would be an extra year or two under the full ELMS system. If there was an extension, at the same time, could that be coupled with a freeze in the transition for a number of reasons, including that the ELMS was not being taken up as quickly?

George Dunn: Yes, and I think that is what the Bill intends. My reading of the Bill would suggest that that is what would happen under those circumstances. To go back to the previous question, if money was taken out of the system that was not able to be spent through the new arrangements, that would have to be paid back, in our view.

Q138 George Eustice: A previous witness said that if a tenant farmer exercised an option that we set out under clause 13 to take a number of years payment in lieu as a lump sum, under the way tenancy agreements tend to be drafted, the landlord would say that was a dilapidation and would take compensation off the tenant farmer. That seemed a rather extraordinary extension of the conventional interpretation of dilapidation. What would your respective views on that be?

George Dunn: My view is that the answer you were given was nonsense. There would have to be a very specific clause in a tenancy agreement that provided for the circumstances that you are describing—for a landlord to be able to dilapidate a tenant for taking away the payment, which is rightfully theirs anyway, because it is their entitlement to do with that what they will.

We are actually quite excited by the provisions on the lump sum and the extent to which that could generate some really good restructuring within the sector. I do not think there will be an impact on land values as was suggested, because land values are driven by much more than the agricultural return, which is about 2% of the average land value, when you look at how agriculture operates. There might be an impact on rent, which could be a good thing for the sector in terms of productivity and margin and efficiency, but we think that the lump sum elements are certainly something worth pursuing.

Judicaelle Hammond: I think we are a little bit more cautious without more detail. We look forward to the consultation that will happen on the secondary legislation. It is hard to say how it would work and whether there would be any unintended consequences without more detail. The same thing is true of the lump sum. We can see opportunities, both for retirement and investment in the farm, but at the moment, we also see that it could have all sorts of unforeseen consequences. We really do need to have a thought-through view of how the system would work.

Q139 George Eustice: The final question from me is about schedule 3, which sets out in some detail a range of quite technical changes to tenancy law that have

come out of the TRIG—the Tenancy Reform Industry Group—recommendations. Are you both content with what is being proposed for those changes to the commercial unit test and so on?

George Dunn: Minister, you would be surprised to hear me say that we are absolutely content and there are no other changes that we would want to make, and I am not going to say that. There are elements that we think need to be added—for example, what we were talking about earlier in terms of the provision for farm business tenancies, for encouraging longer-term lets, to give landlords the option of ending those early, but only for those who are letting for a long time. We think that the provisions in relation to tenants' access to diversification, financial assistance and fixed equipment need to be extended to include 1995 Act tenancies.

I noticed that a question was raised by a Member on Second Reading about widening the franchise of succession to include nephews, nieces and grandchildren, which was not adequately answered by the Secretary of State. Perhaps there is an amendment that could be brought to look at widening the franchise. Very often, it is the nephews and nieces and grandchildren, rather than the sons and daughters, of farmers, who are the active individuals. So there are certain changes that we will promote through amendments to the Bill.

Judicaelle Hammond: What I have said before about schedule 3 stands. We do not particularly like the commercial unit test removal; we think that it is actually well worth having and it should be strengthened. Why would individuals who are already successfully farming elsewhere have the privilege of reduced rent? It does not seem fair and it does not make sense. Apart from that, my significant concern is with the arbitration proposal for dispute resolution on landlord's consent.

There are a number of things that the CLA welcomes in there, for example provisions relating to landlord investments, which we think will provide protection for both the landlord and tenant, and the removal of the minimum retirement age of 65 and also the widening of the pool of potential arbitrators. We are not opposed to the whole of schedule 3, but we certainly have significant concern with what is in there at the moment. We certainly would not favour any extension to the AHA tenancies, which we regard in this day and age, and given the flexibility that the market requires, as an outdated system, which certainly should not be prolonged.

George Dunn: You would not expect me not to disagree with what Judicaelle has said about AHA tenancies. If we trusted the landlord community with farm business tenancies to deliver sustainable, long-term, sensible tenancies, we would not be hanging on to the AHA tenancies as much as we are. Sadly, the landlord community has not played the game well in terms of farm business tenancies, in the way that they have delivered those.

The commercial unit test that Judicaelle talked about is a capricious test. It hits people when there is a death out of time, or people who are badly advised. That is all. It is a very expensive test to have advisers help you through. In essence, the Bill is about productivity and increasing efficiency. Having the commercial unit test in place hits those individuals who have been go-ahead, and have been looking to get themselves on rather than waiting for dad or mum to die in order to get the tenancy of the farm. Why should they be penalised

when they have been the ones who have been go-ahead, and those who are not so go-ahead get the opportunity to succeed?

Q140 Ruth Jones: My question is to you, Mr Dunn, with your expert Welsh agricultural hat on, if you please. Given that the Welsh Government will not legislate until, at the very earliest, the middle of 2021, and given that the payments for the direct payment schemes will begin to diverge across the UK, what do you think the consequences will be?

George Dunn: We are in discussions with Welsh Government officials, as you might expect. This morning, I was having discussions with their policy lead on tenancies. Certainly, I would take from the discussions that we have had to date that there is a real understanding of the need to ensure that they are moving at a pace that allows tenants to have access to the new arrangements.

In the context of having devolved Government, there is no point in having devolved Government if you just do what England does, so there will be specific things for Wales that we will need to look at. I know that the Welsh Agriculture Minister has some aspirations for that in Wales. We are waiting for a White Paper from

the Welsh Government that is coming later this year. We are having input into that White Paper. Obviously, they have not reserved the rights for the financial assistance powers within the Bill, but the agricultural tenancy section—schedule 3—applies to Wales and England equally.

Judicaelle Hammond: We represent farmers and landowners in Wales as well. I think that, given the framework of devolution, there needs to be some flexibility. Like previous witnesses, we are a bit concerned where either the implementation of the Bill or, indeed, the way that the money is allocated across the UK changes to such an extent that we see intra-UK market disturbances. We would certainly argue that that should be avoided.

The Chair: If there are no more questions for Members, I thank the witnesses for giving evidence this afternoon.

Ordered, That further consideration be now adjourned.
—(*James Morris.*)

4.53 pm

Adjourned till Thursday 13 February at half-past Eleven o'clock.

**Written evidence to be reported to the
House**

AB01 Key stakeholders on Dartmoor (Dartmoor Hill Pony)

AB02 Rare Breeds Survival Trust (RBST)

AB03 Compassion in World Farming

AB04 National Farmers Union of Scotland (NFU
Scotland)

AB05 Central Association of Agricultural Valuers (CAAV)

AB06 Sustainable Food Trust

AB07 The Law Society of Scotland

AB08 National Pig Association

AB09 Nature Friendly Farming Network

AB10 NOAH

AB11 The Trails Trust

AB12 Mid & West Berks Local Access Forum

AB13 Department for Agriculture, Environment and
Rural Affairs (Northern Ireland)

