

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fifth Delegated Legislation Committee

DRAFT AGRICULTURE AND HORTICULTURE DEVELOPMENT BOARD (AMENDMENT) ORDER 2023

Wednesday 19 July 2023

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The Committee consisted of the following Members:

Chair: SIR ROBERT SYMS

† Benn, Hilary (*Leeds Central*) (Lab)
 Blake, Olivia (*Sheffield, Hallam*) (Lab)
 † Burgon, Richard (*Leeds East*) (Lab)
 † Cates, Miriam (*Penistone and Stocksbridge*) (Con)
 † Churchill, Jo (*Vice-Chamberlain of His Majesty's Household*)
 † Glindon, Mary (*North Tyneside*) (Lab)
 † Green, Chris (*Bolton West*) (Con)
 Hamilton, Mrs Paulette (*Birmingham, Erdington*) (Lab)
 † Loder, Chris (*West Dorset*) (Con)
 Milling, Dame Amanda (*Cannock Chase*) (Con)

† Mortimer, Jill (*Hartlepool*) (Con)
 Offord, Dr Matthew (*Hendon*) (Con)
 † Robinson, Mary (*Cheadle*) (Con)
 † Smith, Royston (*Southampton, Itchen*) (Con)
 † Spencer, Mark (*Minister for Food, Farming and Fisheries*)
 † Trickett, Jon (*Hemsworth*) (Lab)
 † Zeichner, Daniel (*Cambridge*) (Lab)

Jonathan Finlay, *Committee Clerk*

† **attended the Committee**

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Wednesday 19 July 2023

[SIR ROBERT SYMS *in the Chair*]

Draft Agriculture and Horticulture Development Board (Amendment) Order 2023

9.25 am

The Minister for Food, Farming and Fisheries (Mark Spencer): I beg to move,

That the Committee has considered the draft Agriculture and Horticulture Development Board (Amendment) Order 2023.

It is a pleasure to serve under your chairmanship, Sir Robert. I will start by declaring my farming interests as set out in the Register of Members' Financial Interests.

The draft statutory instrument delivers a package of modernising financial and operational improvements to the Agriculture and Horticulture Development Board. I will highlight some of the fantastic work that the AHDB does: it invests about £42 million each year in a range of levy-funded services for farmers and others in the agrifood chain, including applied research, knowledge exchange, market intelligence and analysis, marketing and consumer education, and working with the industry and Government to establish new export markets.

The draft instrument modernises the Agriculture and Horticulture Development Board Order 2008 so that it can continue to deliver those important services efficiently and effectively. It will allow more agricultural services to access the AHDB's services in future. It will deliver flexibility for sectors including poultry, wine and related agrifood chain industries such as supermarkets to work with the AHDB where they wish to. Any activities that the AHDB undertakes through this expanded scope will be funded by those industries in accordance with article 8 of the AHDB order, which enables the AHDB to charge for services. That will not involve a statutory levy.

The draft instrument delivers changes to help the AHDB reduce administration costs and to operate more efficiently. It will put in place a more efficient process for ministerial approval of levy rates, so that in future approval must be sought when changes are being proposed, rather than bureaucratic annual approval by default when nothing is changing. It will also enable the AHDB to deliver a temporary zero-rated levy if there is financial pressure within the sector due to exceptional circumstances such as a disease outbreak or a market crash.

The draft instrument will also deliver important modernising changes to outdated levy deduction provisions. Those provisions enable third-party levy collectors to deduct a percentage of the levy that they collect to cover any admin costs. However, Members will be aware that modern automated financial systems have significantly reduced the admin costs of collecting such a levy, so we want a more flexible provision to be implemented. The instrument leaves the levy deduction rate open to be reviewed and agreed between third-party levy collectors and the AHDB, rather than being set in statute at a specific rate. It can be much more flexible moving

forward. This will deliver better value for money for levy payers, and more of the levy income collected will be returned to the AHDB to invest in delivering the services that we spoke about previously.

A further important update to the AHDB order concerns the maximum levy rate allowed for the sheep sector. The levy rate for the sheep sector has been at the maximum allowable rate for more than 10 years—we are going to raise the maximum ceiling for each sheep category by 25% to provide headroom within the AHDB to consult the industry further on the appropriate levy rate to maintain the services that they receive from the AHDB in the future. The new ceiling per head of sheep will be 75p for producers, and 25p for slaughterers and exporters. The Government consultation on that reform showed that key industry organisations such as the National Sheep Association and the National Farmers Union are supportive of raising the sheep levy ceiling. The AHDB will undertake further consultations with the industry on future options for changing those levy rates.

Finally, the draft instrument delivers some smaller changes to modernise the AHDB order so that it is up to date with current practices on invoicing, reflects consolidation of the pig sector, and is in line with Cabinet Office guidance on public appointments of board members.

Hilary Benn (Leeds Central) (Lab): On the amendment of article 12, which deals with who can vote, the measure will replace

“Any person who keeps pigs in England”

with

“Any person who pays the producer levy related to pigs”

I assume that that means that the number of people who will be able to vote is reduced, as there are some people who keep pigs who do not pay the producer levy. Is that correct?

Mark Spencer: That is correct, but we are talking about people who have pet pigs in their garden. They will pay a levy if they choose to slaughter their pet pig, but I would think that that is quite unlikely.

In conclusion, these modernising updates to the AHDB regulations will ensure that the AHDB can continue to deliver important services to farmers and others in the agrifood chains efficiently and effectively.

9.31 am

Daniel Zeichner (Cambridge) (Lab): It is a pleasure to serve with you in the Chair, Sir Robert. I can confirm that we will not oppose this measure. I thank the Minister for his introduction, because we share the view that the Agriculture and Horticulture Development Board plays an important role in British agriculture, but we think it is right that any changes are given close consideration.

As we have heard, working across a host of agricultural sectors, the AHDB undertakes important research, development and farm-level knowledge transfer, along with working to improve supply chain transparency and stimulating demand to help develop export markets. While some of the larger agricultural organisations have the resources and capacity to engage in those activities themselves, the vast majority of farms do not. Therefore, pooling financial resources from farm businesses

large and small to invest in improving the sector for everyone is important. In fact, I would argue that the AHDB is more significant than ever, given the range of challenges facing the food sector.

I pay tribute to Nicholas Saphir, Tim Rycroft and their colleagues as they try to align the organisation more closely with the concerns of those who pay for it, which is not always easy. I understand that Tim Rycroft is stepping down at the end of the year; I am sure that we would all thank him for the significant contribution to the evolution of the AHDB and wish him well for the future. I am also grateful to a range of organisations for their help in preparing for this instrument, including the NFU, the National Pig Association and the National Sheep Association. On the whole, I agree with the proposed changes, but I want to raise some questions and flag some concerns. We should use this opportunity to ensure that the AHDB maximises its potential to champion and support British agriculture and horticulture.

While we do not object to the expansion of AHDB work to non-levy-paying sectors, it would be sensible to create some governing principles and safeguards to ensure that the core sectors are not adversely affected in any way. Externally funded projects should be transparent and value-led in the interests of the agricultural industry, and any commercial work should be undertaken for a fee and not cross-subsidised, directly or indirectly, by the levy.

That work must not be allowed to have a detrimental impact on time availability or investment in the core sectors, and I would be grateful if the Minister could give his view on how that could be guaranteed. Indeed, it is important that the AHDB is not distracted from core business. Several representatives of the levy-paying sectors have said that they would like the AHDB to be able to devote more time to activities such as export promotion. Several have also emphasised the need for the AHDB to be as agile as possible in today's fast-paced environment so that it can turn its attention swiftly to matters that need immediate attention.

It is helpful that producers in the potato and horticultural sectors can continue to access the AHDB's services by purchasing them on an ad hoc basis now that they have voted to opt out of the levy payment. Clearly, that was a decision for those levy payers, but I was struck, on a recent visit to a major potato grower, on being told that data formerly available through the AHDB was no longer available, and they considered that to be a loss.

However, I also worry that there is a danger that this new arrangement could unfairly disadvantage smaller producers. The removal of the pooling effect of the levy, and the ability to buy services directly from the board, could mean that larger producers will continue to benefit from the work of the AHDB without sharing those benefits with smaller producers who will be less able to afford direct services. Perhaps the Minister could tell us what assessment his Department has made of the impact on smaller producers. If a disparity is found, what steps will be taken to address it?

Moreover, as I understand it, the AHDB believes that the "No" vote from the horticulture and potato sectors resulted, in part, from severe financial pressures caused by supply chain pressure and low profit margins. I am concerned that, because we still see many of the sectors struggling with the various crises affecting the industry as a whole, too many producers have been left in a

difficult position. For them, opting out of the levy was one of the very last resorts as they sought to keep their businesses afloat. While that may be a good option for individual businesses in the short term, in the longer term, it could cause problems to the wider industry. Would the Minister tell us what action his Government are planning to take to deal with the broader challenges that farmers are facing, which have put so much pressure on some of them that they have felt the need to leave?

I also have concerns about the gap in horticultural research that may result from the withdrawal of the levy from the sector. I recall that in our debate on last year's draft order, the Minister's colleague, the hon. Member for Taunton Deane (Rebecca Pow), alluded to alternative centres for research in this area, including the outstanding UK Centre for Ecology and Hydrology, which I visited recently. It and other research institutes are conducting groundbreaking research on a range of crucial issues that impact the horticultural sector, but I remain to be fully convinced that we will be able to replace the lost research capacity quite as easily as some have implied. Can the Minister provide more reassurance on that point? In passing, perhaps he could remind us why the horticultural strategy has been dropped.

I have no objections to granting the AHDB powers to set a zero-rated levy, which it is currently unable to do. That seems to us to be a useful lever to help sectors that face severe challenges and are in emergencies, as long as the decision-making process is transparent, fair and consistent, and the financial assistance is relatively short-term. I also think that it makes more sense and would be much more efficient for the AHDB to seek approval for the appropriate authority to amend levy rates only when it proposes to change those rates, rather than maintaining the current state of affairs whereby the board has to seek approval for the rates on an annual basis, regardless of whether they are changed. Any change in the levy rate, particularly an increase, must be very carefully thought through and clearly justified to all stakeholders and the accountable body.

With regard to levy deductions, I agree that the levy collection provisions need to be modernised to reflect automated systems and consolidation in the supply chain. I also agree with the proposal that there should be greater consistency across industries about who is entitled to a deduction and about the quantity of that deduction. However, I call for transparency in the costs of levy collection being covered when a negotiation is being conducted.

In conclusion, we welcome the substance of the changes proposed for the AHDB, but with caveats and words of caution, particularly regarding the unintended consequences that I have outlined. I know that the chair and the executive team have been making concerted efforts to improve levy payer engagement and enhance the service that they provide. I sincerely hope that the changes we have discussed today will bolster the ability of the AHDB to help its industry to navigate some extremely difficult challenges, as its role is more important than ever.

9.37 am

Mark Spencer: I thank the shadow Minister for his comments. I join him in thanking Nick Saphir, as well as Tim Rycroft, who is stepping down as chief exec after two years in the role.

[Mark Spencer]

The answer to a lot of the shadow Minister's questions is transparency; as long as we all know what is happening and can scrutinise what is happening, that will be the answer to a lot of the challenges. Yes, the AHDB will set out governing principles for the new activities. Those principles will be set out in a new AHDB framework document, which will give us the chance to scrutinise them.

I hear the shadow Minister's valid comments about smaller producers. I declare an interest as a potato farmer who voted not to pay the levy. The motivation behind that, for a lot of smaller producers, was that they did not feel as if they were getting value for money from the levy. I think that that point has been recognised, certainly under Nick Saphir, and the AHDB has learned the lessons of that vote, which is why it is now engaged with levy payers to ensure that it offers good value for money and that levy payers understand what they are getting for their contribution.

I am happy to have a debate about our support for farmers, but I think we have already rehearsed the

matter several times at the Dispatch Box. I would be delighted to spend the next hour going over it, but we will probably leave that for another occasion.

I hear the shadow Minister's comments about ensuring that we link up research sites across the country. We are privileged to have some of the best research organisations anywhere in the world, never mind in Europe. We have to make sure that we join them up so that they are all pulling in the same direction. That may well require co-operation internationally as well as across the UK; as we are all aware, there are massive challenges coming for the world. The National Institute of Agricultural Botany, which is very close to the shadow Minister's constituency, is a great research institute. Let us make sure that all such organisations are pulling in the same direction and building a great future for us, to keep us all well fed, to protect the environment and to improve biodiversity. That is our shared aim.

Question put and agreed to.

9.40 am

Committee rose.

