

Tenant Farmers Association

Post Brexit Replacement to the Common Agricultural Policy

Introduction:

With the EU referendum taking place on 23 June the Tenant Farmers Association has taken the view that without a credible plan for what a post-EU Britain would look like it cannot advocate a vote to leave the EU. The TFA has committed to keeping this position under review and in observance of that it has produced this high-level proposal for a potential post-EU agricultural policy for the UK to adopt.

This paper is offered as a draft for discussion and debate. The TFA would welcome comments and thoughts from anyone with an interest in this policy area to the extent that it informs the discussion about what might be required in the event that there is a vote to leave the EU.

Policy Objectives:

1. Correct for market failures.
2. Reduced reliance upon imported, temperate produce to enhance food security.
3. High standards of food safety applied equally to domestically produced and imported products.
4. Equality of other production standards between imported and domestically produced food.
5. Assistance towards reasonable Standards of living for farmers.
6. Enhancement of the economic productivity of agriculture and assistance with input and output price volatility.
7. Efficient Delivery of public goods in the form of landscape management, biodiversity enhancement and public access.

Policy Principles:

The fundamental justification for any agricultural policy which supports primary producers should be to correct apparent market failures. There are five principal areas of market failure that any agricultural policy should seek to address:

1. As economies grow and individuals become more prosperous, they will tend to spend a diminishing proportion of their disposable income on food. This means that those who are responsible for producing food (i.e. farmers) will see a decreasing proportion of national income spent on the products which they make. This is why farmers as a group find it difficult to reap the benefits of economic growth enjoyed by others in society. As incomes rise consumers are also noted to trade up to consume more processed, pre prepared and restaurant food where the value added goes to parties beyond the farm gate.
2. The structure of food marketing, particularly in the UK, has become such that producers face an unfair and wholly unbalanced platform upon which to do business with processors and

retailers. For example, in the sugar sector there is one, single, monopoly processor in the UK which has, in the past, used its monopoly position to the disadvantage of sugar growers throughout the whole of England. In the milk sector, there are only a handful of processors and a handful of large retailers purchasing milk from those processors. Across the whole range of agricultural products, producers face a very small number of large, retail outlets. This unbalanced structure leaves most producers in a very vulnerable position and even with the Groceries Code Adjudicator with adequate powers, these problems are likely to carry on for some time into the future. Whilst retailers are keen to promote their “Fairtrade” status in relation to imported products they do not always apply the same principles in dealing with domestic suppliers.

3. The market cannot deal effectively with issues of long-term food security. The UK is already in a position of only being able to satisfy less than 70% of its temperate food needs from domestic sources. There has never been any indication provided by previous Governments as to when we should begin to get worried about the level of food security nationally. The TFA is concerned that the current structure of food marketing takes too much of a short-term approach to this issue and feels that there needs to be a more adequate expression of the Government policy towards food security in the long term.
4. It is inherently difficult for the market to factor in increased animal welfare and environmental benefits into the pricing structure for food. UK farmers, as noted above, are facing a large degree of regulation in these areas and they are unable to pass the costs of this up the food chain. Many farmers are working hard to meet environmental and animal welfare standards and yet they have to compete for retail space with producers from elsewhere on the globe who often do not have to meet the same standards. Retailers appear little concern to ensure that these consumer aspirations are properly articulated and met through their stores.
5. Connected with the fourth point above, there is a general lack of awareness amongst consumers about the differences in quality of the products which they are purchasing when comparing UK sourced and internationally sourced products. Whilst they might see beef from Ireland, Brazil or Argentina as beef with a different label, it is the case that products from those countries are not perfect substitutes because they have been grown under different conditions and different regulations. More effort needs to be put into making sure that consumers are aware of these differences when purchasing their food.

Suggested mechanisms:

1. Providing the Groceries Code Adjudicator with wider and deeper powers to investigate malpractice within the groceries supply chain. The adjudicator must have OFSTED style powers to engage with retailers, a remit to look at the whole of the supply chain where required - not just direct contracts - and the responsibility to report on the balance of returns within the supply chain.
2. Requiring public food procurement policies to favour British produced food.
3. Requiring that all food sold in the UK is subject to meeting Red Tractor Standards.
4. Mandatory country of origin labelling on all food sold through major retailers.
5. Negotiation of access agreements for UK farm products into EU markets.
6. Respond robustly against tariffs levied by the EU on exports of farm products from the UK.
7. An assurance that free or favourable market access to the UK food market will not be used to lever favourable trade deals in other areas such as financial services.

8. Developing a new framework for ensuring the sustainable development of upland areas by refocusing support on ruminant livestock production as the foundation of sustainable upland management.
9. Domestic promotion of the high environmental, animal welfare and food safety standards of British food in comparison to imported products to displace those imports with domestically produced food.
10. Maintenance of the current budget of £3 billion allocated to agricultural support.
11. Allocating £1 billion to a new agri-environment scheme which sets out a menu of costed options that farmers can choose from to deliver on their farms and judged on the basis of outcomes, as opposed to the means of achieving the outcomes, to include specific options for hill and upland farmers focusing on ruminant livestock production.
12. Allocating £1 billion to a new Farm Business Development Scheme to provide an annual grant of up to £25,000 per farm per year to assist with the implementation of approved five-year plans for farm development covering investment in fixed equipment, cost reduction initiatives, processing capacity, diversification, marketing, cooperative schemes, producer organisations, etc.
13. Allocating £1 billion to near market research and development, promotion, market development, brand development and other supply chain initiatives.
14. Implementing the TFAs plan for longer and more sustainable farm tenancies as follows:
 - Restricting the generous, 100% relief from inheritance tax, currently available to all landlords regardless of the length of time for which they are prepared to let land, only to those prepared to let for 10 years or more.
 - Clamping down on those landowners who are using share farming, contract farming, share partnerships and grazing licences as vehicles for aggressive tax avoidance since in practice they take no risk, have no entrepreneurial input and lack any managerial control.
 - Offering landlords prepared to let land for 10 years or more the ability to declare their income as if it were trading income for taxation purposes.
 - Reforming stamp duty land tax to end the discrimination against longer tenancies.
 - Requiring landlords over whom the government has influence (for example, the Crown Estate) to default to 10-year-plus farm tenancies.
 - Providing landlords with more practical provisions for handling tenancy breaches than currently exist in agreements where landlords let for 10 years or more.

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