



Post-Brexit Policy in the UK A New Dawn?

AGRI-ENVIRONMENT

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Post-Brexit Policy in the UK: A New Dawn? Agri-environment

“A productive and sustainable sector which limits its environmental footprint”

“From agricultural laws to laws on food and food systems”

“A strategic, integrated approach to land management and environmental protection.”

Participant comments on their visions of a Post-Brexit future, Stakeholder Workshop March 2017

Summary

- **Brexit provides a unique opportunity to design a sustainable, forward-looking agricultural policy fit for the 21st Century.**
- **The UK’s agricultural sector is incredibly diverse. Future policy must be sensitive to local environmental and political conditions.**
- **The devolved authorities should have a meaningful voice in decisions about the future shape of agricultural and land use policy.**
- **Future funding should emphasise the need for public monies to be spent on the provision of public goods. An immediate priority is reaching a consensus on what public goods are in the agricultural sector.**

Introduction

Over the last forty years, the European Union’s (EU) Common Agricultural Policy (CAP) has profoundly shaped the UK’s countryside, farming sector and food system – for better or worse. While the CAP supports farmers’ incomes across the UK (on average to the tune of 50-60%) and provides mid-term certainty, it has frequently been criticised for its complexity, its impact on the price of food and its negative environmental effects.

In the on-going Brexit discussions, agriculture and fisheries stand apart. Whatever kind of Brexit is negotiated, responsibility for agriculture and fisheries will return to the UK. Therefore, replacing the CAP is an immediate priority.

This policy brief provides an impartial expert review of a number of existing proposals and is informed by a stakeholder workshop with practitioners from the farming and NGO sectors. It sets out the challenges and opportunities of Brexit for agriculture, highlighting short-term priorities for the on-going negotiations and longer-term policy goals for farming and rural areas.

Context

The CAP has evolved into a highly complex policy instrument comprising two pillars. Pillar 1, which accounts for 76% of EU-wide CAP expenditure, consists of a system of Direct Payments (income support) to farmers and market intervention mechanisms. Pillar 2, which comprises Rural Development policy, covers activities related to agri-environmental management and the rural economy.

Since being introduced in 1995 Direct Payments have proved controversial. Initially designed to help farmers cope with unstable market prices they now make up the majority of the CAP budget and distort agricultural activities, creating inequalities within the system and failing to support the neediest farmers whilst maintaining a cycle of dependency (RISE, 2017).

The Agenda 2000 CAP reforms created a Rural Development Policy which emphasised agri-environmental management, agriculture and forestry competitiveness and productivity, as well as rural growth and development. This has delivered, on a much smaller financial footing, a broad array of positive environmental, social and economic benefits across EU member states (Metis GmbH, AEIDLE, CEU, 2010; Kantor, IFLS, 2012; ÖIR, GmbH, 2012; ADAS, 2016).

Although the CAP is a 'common' policy, its implementation is far from uniform, even within the UK. Thus, there is no single UK CAP. For example, there are different levels of support across the four nations. In England, for instance, 55% of farm incomes come from the CAP, compared to 74% in Scotland, 80% in Wales and 87% in Northern Ireland (DEFRA et al., 2016). There are also different programmes operating across the devolved nations, which reflect profound underlying differences in environmental, socio-economic and demographic circumstances. For example,

85% of the Scottish agricultural area is designated as a 'Less Favoured Area' (i.e. difficult to farm) compared to only 17% in England (Allen et al., 2014).

Agriculture also has different economic significance across the UK nations. For example, in Northern Ireland it accounts for 1.38% of Gross Value Added (GVA) and 5.79% of employment. By contrast, in England it accounts for 0.57% of GVA and 1.07% of employment (DEFRA, 2015). At the local level, some rural districts have a much higher level of employment and income from agriculture whilst there are typically large differences in dependencies between upland and lowland regions. Overall, the UK agri-food sector employs 3.9 million (by comparison the NHS employs 1.4 million) and is worth £108 billion or 7.2% of total GVA. Most of that GVA comes from food and drink manufacture and retail, with just under £10 billion deriving directly from agriculture (Andrew Francis, NFU, pers. comm.).

In policy terms, there are currently sharp variations in the extent to which rural development funding is used to support environmental measures. Thus England spends 71.4% of its rural development funds on Agri-Environment-Climate contracts – compared to an EU average of 16.8% – while Scotland spends only 15.71% as it focuses instead on areas with natural constraints (16.1% funding). Wales plans to have 49.11% of agricultural land under contract for biodiversity measures, while Northern Ireland plans only to have 12.18% (compared to an EU average of 17.6%) (Dumitru, N.D; European Commission, 2017).

Given these contrasting approaches within the UK, replacing the CAP will require coordination in order to develop objectives and instruments that can sit within an overarching UK-wide framework, while

remaining sensitive to local conditions and policy priorities.

Constraints

Leaving the CAP does not mean starting policy development from scratch. Policies will need to be developed taking account of three sets of (moving) constraints:

The World Trade Organization (WTO): WTO rules include both tariff levels and limits on how governments can support their farming sector. This condition is particularly significant for agri-environment schemes, which under WTO rules can only compensate farmers for costs incurred and income foregone. They cannot provide financial incentives. Any future agri-environment payment schemes will need to remain WTO compliant.

If a 'no deal' outcome is the end product of the Brexit negotiations the UK will have to work under WTO rules, which may open up home agricultural markets to new competition, potentially driving some farms out of business and possibly placing pressure upon the UK government to weaken both environmental and animal welfare standards (House of Lords 2017).

The European Union: EU environmental and welfare legislation will be carried over into UK law by the Great Repeal Bill and the CAP will continue to apply to UK farmers' closest competitors. Conformity with most EU process and product standards will also continue to be a requirement for UK farmers to access the EU market (Burns et al., 2016; Environmental Audit Committee, 2017). The CAP's influence will be particularly strong in Ireland, where farmers in the Republic will remain in the CAP while farmers in Northern Ireland leave it. This is likely to disrupt whole-island supply chains.

Brexit and Trade: The UK agri-food sector is currently closely integrated with the EU Single Market. It is heavily reliant on access to migrant labour (seasonal for horticulture, and non-seasonal for the food sector).¹ Supply chains are also integrated across nations. For example, supply chains for the dairy industry in Ireland operate across both Northern Ireland and the Republic. UK farmers freely export their products to the rest of the EU and about 25% of food consumed in the UK comes from the EU (DEFRA, 2015). Securing an agriculture-friendly trade deal will be critical in establishing a future trade balance between imports and exports that enables an adequate degree of self-sufficiency. For example, over the last 30 years the level of UK self-sufficiency has declined from approximately 75% in the late 1980s to around 61% (House of Lords EU Committee, 2017).

Challenges

For over forty years, agricultural policy has been agreed in Brussels and implemented in the UK. Designing and delivering new policies for agriculture after Brexit raises five interconnected challenges of priority, coherence, governance, finance and capacity.

Changing Priorities

As the EU's first common policy, agriculture was a key spending priority in Brussels (over 40% of its current budget.²) UK farmers have benefited from the greater political clout of farmers in other EU countries where agriculture matters more in both economic and cultural terms (Grant, 2016). Other

¹ <https://www.nfuonline.com/news/press-centre/press-releases/nfu-stresses-access-to-labour-in-home-office-meeti/>

² House of Commons Library: <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06455>

priorities imply that agricultural concerns are likely to be much lower on the UK central government agenda. In the short-term, agricultural concerns may be low down on the list of priorities in the Brexit negotiations, which in the longer-term will have consequences for the public funding of agriculture. Farmers' Union demands for "a budget per hectare that is on a par" (NFU Scotland, 2016) with the EU are unlikely to be met (House of Commons Library, 2015) and new agricultural supports are likely to be more closely linked with delivering environmental benefits to justify public expenditure (Environmental Audit Committee, 2017).

Policy Coherence

This reduced priority means agricultural concerns may take a back seat in future UK trade negotiations – not only with the EU but with the rest of the world. There are key risks that a new UK agricultural policy built around 'public money for public goods' with high standards at its core could be undermined by a trade policy either actively or passively supporting a cheap food policy based upon limited environmental regulation (House of Lords EU Committee, 2017).

Governance

Priority and coherence issues are compounded by the governance challenge ahead (Hunt et al., 2016). Agriculture matters more to the devolved administrations (both economically and politically) than to the central UK administration. Yet Brexit negotiations and trade policy are reserved matters negotiated at the UK level. This creates a mismatch between the political scale, at which trade policy negotiations and decisions are administered by the UK government, and devolved agricultural or environmental policy.

Beyond the negotiations, the governance of agricultural policy after Brexit is uncertain. There is a strong policy case for a mix of UK-wide policies (on issues such as plant

health, animal welfare and pesticides) and an overall framework to maintain the integrity of the UK Single Market, together with diverging policies targeted at different farming types and political priorities in the four nations.

However, this model raises two major governance issues. First, the possibility for the devolved administrations to adopt different policies – something that is already contested in agriculture matters.³ Second, agreeing a process by which a common UK framework would be decided will be challenging.

Here there are two main options. First, a framework that is decided in Westminster and implemented in different ways across the UK. This option runs the risk of alienating political actors within the devolved nations and stoking conflict between London and the other national governments. The second option is to have a common UK policy developed through an "agreement between the UK Government and the Devolved Administrations" (Scottish Government, 2016, p. 4), via a strengthened Joint Ministerial Committee "rebuilt into a UK Council of Ministers covering the various aspects of policy for which agreement between all four UK administrations is required" (Welsh Government, 2017, p. 28). This option may be more time consuming and see further power devolved from Westminster. Yet it would also give the devolved administrations more say over a policy that is strategically and economically important within their territories.

Finance

This battle over responsibilities is also a battle over budget. Agricultural funding is

³ The UK Government challenged in courts the decision by the Welsh Government to maintain a board to set wages for agricultural labour after it had been abolished in England.

<http://www.walesonline.co.uk/news/wales-news/agriculture-wages-bill-uk-government-7394743>

currently shared according to needs (the importance of agriculture as a sector in each of the nations) and not according to population size (the basis for the Barnett formula that distributes funds between the devolved nations). The ‘Barnettisation’ of agricultural funding – the ‘simplest option’ for Whitehall (Paun & Miller, 2016, p. 15) – would drastically reduce funds available to farmers in Wales, Scotland and Northern Ireland (see Figure 1).

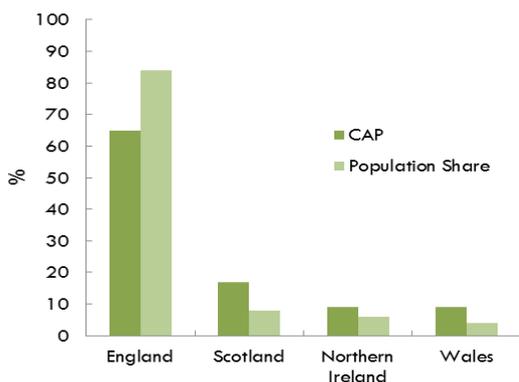


Figure 1 Share of UK's agriculture budget currently, and using population share (source: DEFRA, 2013)

Capacity

Irrespective of the solutions found to the governance challenges, capacity issues will remain. Both central and devolved administrations will have to “absorb swathes of additional policy-making responsibility” (Hunt et al., 2016, p. 831) at a time where the UK civil service is at its smallest since World War II⁴ and DEFRA’s headcount has been cut by 2/3 since 2005.⁵ This raises questions as to whether the UK civil service has sufficient staff numbers with the required skills and evidence base, as policy development has been made at EU level for over 40 years. Developing and implementing new policies requires a step-change in coordination across departments and levels of governance.

⁴ <http://ukandeu.ac.uk/wp-content/uploads/2016/12/Brexit-Six-months-on.pdf>

⁵ <http://www.endsreport.com/article/53346/defra-headcount-down-two-thirds-in-a-decade>

Opportunities

Within the EU, the UK Government’s priority for agriculture has long been to reduce agricultural support and to push for a more market-oriented sector without income support, with any funding linked to the delivery of (principally environmental) public goods (House of Commons Library, 2015).

Brexit offers the opportunity to take stock of existing policy objectives and to redesign policies better tailored to the specific needs of the UK farming and food sector, the environment, rural economies and the priorities of the British public.

For example, we have the opportunity to use new levers such as public access to the land registry (Willis, 2016) and longer farm tenancy contracts and systems of ownership (DAERA, 2016a), which will benefit long-term planning that requires a clear understanding and stability of land ownership.⁶ This would also enable better integration of agricultural policies with cognate sectors (such as water and energy) to improve land management and environmental sustainability.

By recognising the wider role of farming in the landscape, agricultural policy can become part of a wider sustainable **Land Use Strategy**, which seeks to end the decline in environmental quality and to enhance that quality through restoration. There is scope to improve farmland ecosystems by recognising both the economic and non-economic services that can be provided by agriculture, such as flood risk mitigation, climate change adaptation, habitat protection and recreation services, to name but a few.

⁶ “long term planning is difficult on almost 30% of our agricultural land because it is tied up in an archaic [11 months] conacre system which does not incentivise good land management practices....” (Department of Agriculture Environment and Rural Affairs, 2016, p. 70)

There are also opportunities for agricultural policy to be better integrated into a wider **Food Strategy** that seeks to ensure a better deal for farmers and to improve UK food self-sufficiency, quality and sustainability.

Agricultural policy can also continue to foster innovation as part of a **Rural Development Strategy** that focuses upon investments to enhance the rural economy and its connections with the agri-environmental landscape (see Figure 2 for an example of a future model for the sector).

UK-wide agricultural policy must remain consistent with the UK's global environmental commitments, namely the UN 2030 Agenda for Sustainable Development and the associated Sustainable Development Goals, the Convention on Biological Diversity and the UN Paris Agreement on Climate Change.

Developing new policy can build on policy innovation across the world – and notably in the UK 4 nations:

- **The Scottish Land Use Strategy** champions an integrated approach to land use with land-based businesses working “with nature”, delivering “responsible stewardship” and both rural and urban communities “better connected to the land” (The Scottish Government, 2016).
- **The Welsh Wellbeing of Future Generations Act** sets long term well-being and sustainable development goals and requires public bodies to “work to improve the economic, social, environmental and cultural well-being of Wales” by setting and publishing well-being objectives. It seeks to maintain and enhance “a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change” such as climate change (Welsh Government, 2015).

- **The Northern Irish Sustainable Agricultural Land Management Strategy** champions the need to “measure first” (e.g. conduct soil analysis) and based upon this shared knowledge “make it easy for farmers to do the right thing” (DAERA, 2016).
- **DEFRA's pilot projects on payment for ecosystem services** in river catchments (e.g. Upstream Thinking: West Country Rivers Trust), uplands (e.g. Peatland Carbon Code) and urban areas (e.g. Hull, Leeds, Luton) (DEFRA, 2016).

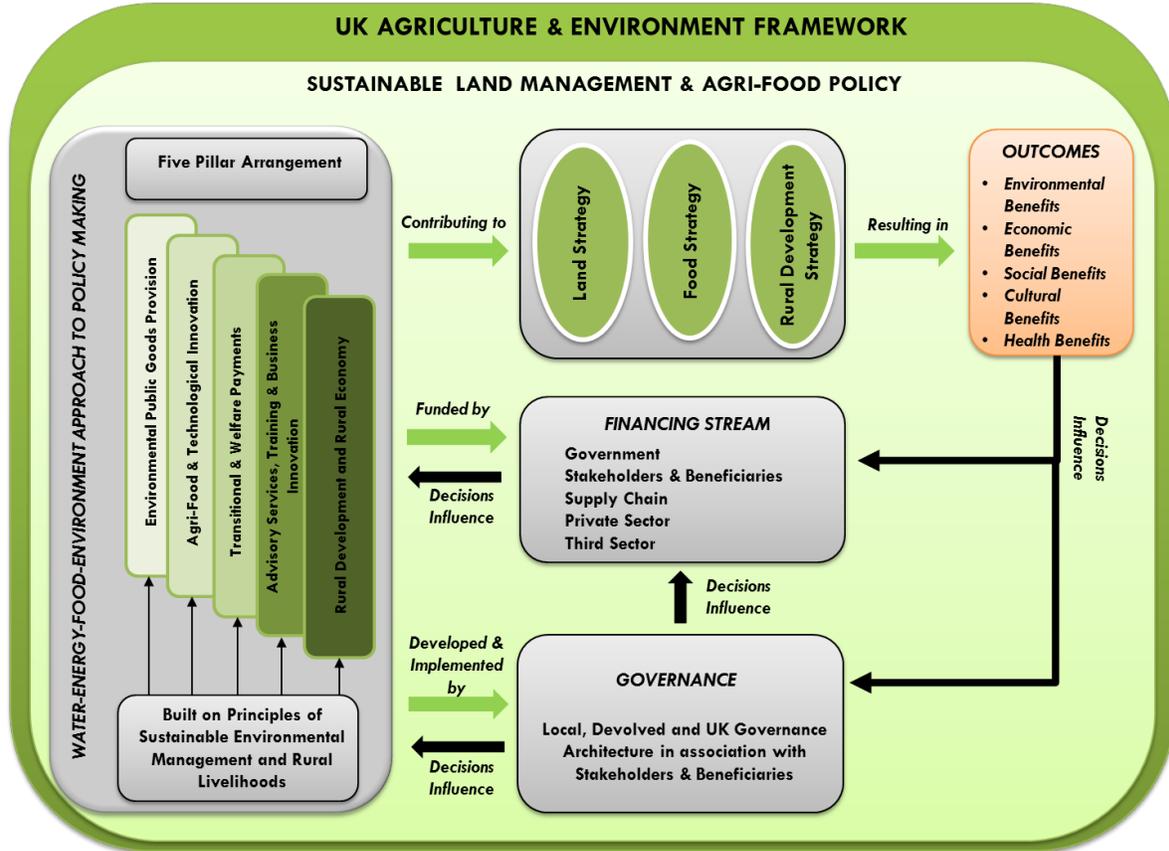


Figure 2 Post-EU UK-wide Agriculture and Environment Policy Framework. The proposed framework develops interlinked UK-wide policy activities, including Land, Food and Rural Development Strategies that can secure a range of environmental, economic, social, cultural and health benefits. It is built on an integrated approach underpinned by the development of a coherent five-pillar policy financed through a range of funding sources, innovative partnerships and collaborations between the public, private and third sectors. The governance of this new policy arrangement relies on cooperative and collaborative decision-making across local and regional administrations, bodies and agencies, together with devolved nation and UK-level government departments, in order to ensure a set of local, regional and national tailored made programmes.

Conclusions

The overwhelming consensus emerging from our documentary review and conversations with stakeholders is that Brexit represents an opportune time to change the way UK agricultural policy is managed. The first step is to move beyond thinking purely in terms of agriculture to taking a wider approach that encompasses land use, rural development and environmental protection.

The food sector is a significant part of the UK economy and farming is central to it. We need resilient farms that produce food for which a fair price is offered. For those farms that survive primarily through support payments, we need to be clear about what services they are providing and what, if any, level of support is appropriate. Defining public goods must be an immediate priority - landscape management and environmental protection should be central to that definition.

It is important to recognise that our future policy choices are constrained by the deal we reach with our EU neighbours and WTO rules.

Resolving the way in which policies will be decided and finance distributed across the UK's four nations is an urgent policy priority. Resolving the relationship and border issues between Northern Ireland and the Republic of Ireland will be critical to the future viability of Northern Ireland's food and farming sector.

There is a risk that future policy will be constrained by the legacy of past policies and practices. Whilst a transition arrangement between current and future policies is both sensible and inevitable, it is important to grasp this opportunity to remake our rural development and agricultural policies and avoid "lock-in" to unsustainable practices. Any new policy should have sufficient flexibility to be

sensitive to local economic, environmental and geographic conditions and should ensure that public money really does deliver public goods.

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