House of Commons EFRA Committee

Inquiry into
Securing food supplies up to 2050: the challenges for the UK

Submission from

The National Farmers' Union

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Securing food supplies up to 2050: the challenges for the UK

Introduction and summary

1. The NFU represents over 55,000 farming businesses in England and Wales. It warmly welcomes the Environment Food and Rural Affairs Committee's decision to undertake an inquiry into the issue of food security and believes that this is an issue of global strategic importance.

2. There is a high degree of academic consensus that the world will need to increase food production by 50% by 2030 and by 100% in 2050 to meet the needs of a world population that is set to rise to 9 billion and become steadily richer. This growth in demand for food will have to be met using a finite amount of agricultural land.

3. Climate change will invariably place further constraints on production in many parts of the world. A challenge for agriculture across the world is not only to increase food production but to do so sustainably.

4. The UK is relatively well positioned to play an even greater role in meeting global food needs due to its climate, soils and water availability. Yet all too often, consideration of food security in a UK context focuses on how the rest of the world can secure UK food needs rather than what UK farmers can do for world food security. It is therefore welcome that the Committee's terms of reference also pay attention to the wider global dimension of food security.

The challenges faced by UK agriculture

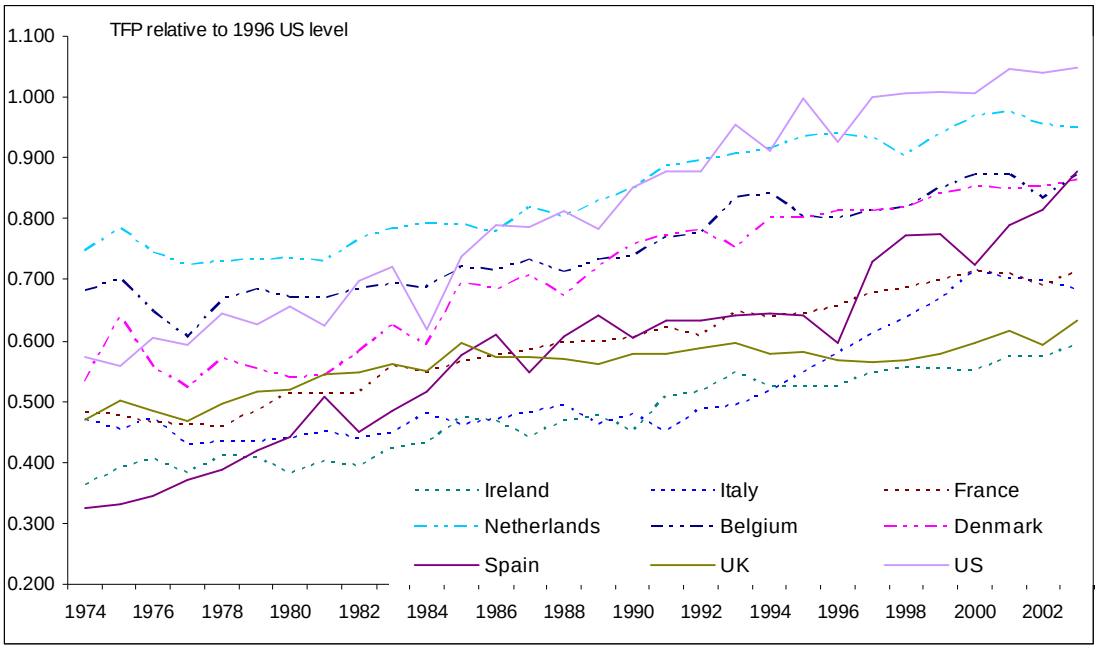
5. There has been a tendency on the part of Government to question whether UK agriculture needs to increase its production. The argument follows that:
    a. production must be demand driven. Recent market signals have been ambiguous
    b. increased production may come at an unacceptable environmental cost
    c. increased demand for food in the UK/ developed world might be better met through creating markets for developing countries

    The NFU believes that any increase in production must be demand driven. However we do not accept the view that any increase in production need come at an unacceptable environmental cost. Our vision is that the UK farming industry must be in a position to gear up production substantially in order to respond to growing food demands.

6. An assessment of the UK's ability to increase production needs to take account of various factors including: land area, productivity, soil quality, water availability, farm infrastructure, routes to market, technical capability, exposure to external factors (e.g. farm inputs), and government policy. It is correct that the Committee seeks to examine what criteria might be used to judge the relative performance of

the sector in achieving this goal and we offer views below on key performance indicators.

7. The NFU believes that UK agriculture and horticulture have a number of distinct advantages. Agricultural land in parts of the UK is of high quality and benefits from good growing conditions as a consequence of a favourable climate. Flexible rules surrounding land transfer and occupancy facilitate restructuring which allows the UK to create some competitive advantages through scale. Farmers have invested heavily in improvements in capacity, technology and resources yet the level of gearing remains modest compared to other industries. The industry has shown itself to be resilient and highly adaptable. Nevertheless, according to Defra figures for Total Factor Productivity, agricultural productivity does not appear to be keeping up with improvements in many other EU member states or the USA.



8. Science, technology, research and development are absolutely crucial to ensuring that growing demands can be met from limited land area. There has been a substantial cut in publicly funded agricultural science, in the UK & worldwide, since the 1980s, indeed a 45% real cut was seen in the UK between 1986-98. There is normally a 20 year lag between initial research and application, so the results of those cuts are now appearing. For example, European cereal annual yield improvements were in the order of 4% in 1980s, 2% in the 1990s, and less than 1% currently. Ensuring that the UK excels and is globally competitive in fundamental research is one thing. Another is ensuring that the results are translated into practice. Whilst the UK farming industry benefits from a plethora of private sector consultants, it has lacked a single delivery vehicle for applied technology since the privatisation of ADAS in the 1990s.

9. Price volatility in respect of inputs and outputs is likely to be a persistent feature of farming in many sectors in the coming years. Volatility results from a very tight situation in respect of global demand and the difficulty in matching production cycles around the world to real changes in demand. It impedes the ability of

businesses to plan and to make investments with a degree of certainty surrounding profitability and market returns.

10. Poor food chain relations**.** The best conditions for investment to increase production are long-term relations in the supply chain and relatively stable prices. Many sectors suffer from weak contractual relations, short-term attitudes, and price unpredictability leading to a lack of confidence and under-investment.

11. Imbalance in the supply chain. The growth of major multiple retailers has had many positive effects for consumers but it comes at a cost to producers where the power wielded by major retailers is abused. The Competition Commission investigation into the grocery market in the UK highlighted poor behaviour in the food supply chain, where retailers (and to some extent processors) force risk and margin pressure down to primary producers. In the face of this constant pressure, farmers find it increasingly difficult to maintain profitability, thereby reducing room to invest in greater efficiency and/or environmental improvements.

12. Inefficient supply chains**.** A report by the Food Chain Centre in 2007 demonstrated that the dairy supply chain, for example, was wasting £1.5 billion per annum in inefficient processes and supply chain practices. The lack of stable trading relationships is a causal factor in this as is a relative lack of investment in capital expenditure and R&D by some food manufacturers and fragmentation at producer level.

13. Labour availability**.** The relatively large scale of production in Britain compared to other EU member states means a greater reliance on employed labour. Labour shortages are a serious problem in some sectors, most notably horticulture. Migrant labour is essential to carry out often seasonal work such as harvesting and fruit picking. However, well established schemes such as SAWS (Seasonal Agricultural Workers Scheme) have been restricted (despite a welcome quota increase in December 2008) in size and scope. Although UK unemployment is rising, these are not jobs easily filled by British workers.

14. Skills and education. Farming is already a highly skilled occupation, but further development is highly desirable. The problem is that government training and skills policy is biased to qualification rather than skills, and many in the farming sector do not easily find the time or have the flexibility to acquire qualifications. Loss of critical mass is potentially a serious issue as lost skills may be difficult to re-introduce. With regards to education, the number of establishments offering courses tailored towards the farming sector has diminished although those that remain are well equipped in terms of the quality and range of courses offered.

15. Inappropriate European legislation. There are numerous examples of legislation agreed at a European level that are either now outdated, are disproportionate and are not science-based. A good example is the Nitrates Directive. Despite UK rivers showing a declining trend in nitrate concentration, the Directive, agreed in 1992, continues to the ruthlessly enforced by the EU Commission. There are further examples of legislation that impact significantly on costs and merit re-examination at EU level such as the Animal by-products regulation and EU rules governing TSEs (Transmissible Spongiform Encephelopathies).

16. GMs. There are varieties potentially of great interest to UK growers which are closer to being ready for commercial use, but which will struggle to get approval due to the political controversy in the EU surrounding GM. Furthermore, the process for approval of GMs for importation that are not authorised for commercial planting is cumbersome; the current stipulation of zero tolerance for unapproved varieties in consignments shipped to the EU compounds this problem. A drawback of production in the EU is that it is relatively unsuited to protein production, which in turn is essential for feeding livestock and hence there is a dependency on feed imports. The growth in GM production worldwide, coupled with the approvals problems is likely to, increase feed costs dramatically.

17. Input availability. Fertiliser is an essential input in ensuring that the productivity of crops is maximised. Phosphate and potash are both in finite supply and whilst nitrogen can be manufactured, there is a reliance on natural gas which in turn exposes the industry to fluctuations in supply and price. The farming sector has made a tremendous effort to reduce its consumption of artificial fertiliser and make best use of farmers' own nutrients. However further skills and technology such as improved plant breeding and precision farming techniques which reduce usage will be needed. Electricity supply is also a serious threat to some sectors, particularly if the UK fails to meet demand due to a shortage of domestic generating capacity. But the sector as a whole has the potential to be a net exporter of energy using biofuel, wind, anaerobic digestion of manures, crops and crop waste.

18. Water availability. This is a threat for some sectors and in some areas of the country. But the issue must be kept in perspective: less than 2% of our available water is used in agriculture; world-wide the figure is 70%. In 2005, irrigation in England consumed a mere 7% of the total amount of water leaked by water companies, demonstrating that a more significant issue is infrastructure. Large parts of the world have relied on finite aquifers rather than renewable precipitation (the USA, Southern Europe, North Africa) and this is another reason why Northern European production is likely to become more important in future.

19. Availability of credit. All businesses have become exposed to higher costs and lower availability of credit as a result of the credit crunch. A recent NFU survey indicated that, at the moment, agriculture is less affected than most other sectors. This is not to say that this position will necessarily remain as working capital requirements rise in 2009. Other parts of the food chain may be more vulnerable, which could knock-on to primary producers.

20. Animal Disease. The UK has had an unfortunate recent history. In some cases this seems to be the result of simple bad luck (BSE) in other cases failures of biosecurity at the national, and in some cases, farm level. Improving our performance is critical. Of particular concern is the failure in England to have a plan to eradicate bovine TB, with the result that whereas in most of Europe it is under control and declining, in England and Wales it is increasingly rapidly. Some 40,000 cows are likely to have been slaughtered as reactors in 2008. The direct impact on production of beef and dairy products may be relatively small but the indirect effects could be devastating leading many farmers to move out of beef

and dairy production in the disease hotspots, which are precisely some of the best suited land in Europe for raising cattle.

21. Defra has given inconsistent messages about whether it is concerned for domestic production. The Secretary of State recently made a welcome statement about the importance of domestic production at the 2009 Oxford Farming Conference. Defra has also taken a firm line in support of the industry in respect of new proposed EU legislation covering pesticide approvals. However, Defra's inability to tackle bovine TB and its determination to replace set-aside with a similar measure, with little regard the impact on production or administrative burdens demonstrate that policy is frequently at odds with food production.

22. The CAP. The EU's Common Agricultural Policy has reformed massively in recent years. The vast majority of support payments are decoupled from production and a greater proportion of the total budget is being devoted to environmental improvement and business support measures. However differential implementation throughout the EU creates some competitive distortions which hamper UK producers, especially in the livestock sector. It is likely that further substantial reform and reductions in the available budget will occur after 2013. The UK must guard against any renationalisation of the CAP which could result in further distortions.

Actions to be taken

23. The farming industry recognises that it must take ownership of many of the challenges it faces. It has already made big strides in responding to market signals, embracing new technology and enthusiastically adopting measures, such as the Environment Stewardship Scheme, that improve farming's environmental footprint. Further examples, from the creation of an agri-skills forum, to the ongoing work of the industry Climate Change Task-Force, demonstrate that in many cases, the industry can work to overcome challenges. However not all of the challenges are surmountable through industry effort alone.

24. In many sectors, the industry has benefitted from the provision of 'market failure' services by the agricultural levy bodies. The creation of the AHDB (Agricultural and Horticultural Development Board) leads not only to synergies in the delivery of important services but a chance to improve further the level of industry investment on cross-sectoral R&D and especially technology transfer.

25. The farming sector can only go so far in terms of driving forward science and technology. The UK has for many years been seen as a seat of international excellence in science and technology in agriculture (institutions such as the John Innes Centre and Rothamsted Research are testimony to this). However this risks being undermined by the progressive reduction of government support for R&D in agricultural production. There is a very urgent and pressing need for this long-term decline to be reversed in order to maintain the UK's leading position and to ensure that its farmers have access to the best available technology to improve productivity and the environment.

26. The withdrawal from managed markets and risks of volatility make it even more incumbent on the supply chain to provide clear, long-term signals and better, stable relationships. There is still a staggering lack of appreciation by food manufacturers and retailers of the role they must increasingly play in securing supply by ensuring long-term contractual relationships with farmer suppliers.

27. Furthermore, measures need to be taken to prevent abuses of power from further undermining the fragility of the supply base. A strengthened Code of Practice and an independent ombudsman have both been recommended by the Competition Commission as remedies.

28. Defra has, to its credit, expressed a keen interest in food security. Some good initiatives have been taken, most recently the creation of a unified science hub within Defra. However, we detect some confusion even within Defra about the various strands of work that are taking place within the department. Examples include Defra's July discussion paper on food security and workshops on indicators, the Farming for the Future Programme, the Sustainable Food and Farming Strategy together with regional delivery programmes, the recent creation of the Council of Food Policy Advisors and the outcome of the Prime Minister's Strategy Unit report on food security of July 2008. We believe that there is a need for some better co-ordination of this work.

29. Defra has recently been given an enhanced role in co-ordinating food policy across all government departments. It is important that Defra seizes this role to champion the needs of the UK farming and food industry in the same way that BERR appears to do for wider industry.

30. There is inevitably a tension within Defra between being the department responsible for implementing environmental policy and being the sponsoring department for food and farming. At the heart of Defra's policy orientation is the Government Public Sector Agreement relating to resource protection (securing a healthy environment). This is undeniably important but should, in our view, be balanced by an objective relating to domestic food production. Until this happens, it will remain challenging for balanced policy decisions taking due account of food production to be reached

Indicators

31. A necessary precondition to identifying and agreeing indicators/ measures of success in relation to food security is a balanced Public Service Agreement in respect of food production. Leaving this aside, the there are a number of valid measurements of UK farming's capacity to respond to food security needs. Defra already collects data in respect of productivity and this should be closely monitored. Capital expenditure levels are also a useful benchmark in understanding whether the sector is investing for future growth potential.

32. The NFU agrees with the view that food security does not equate to food independence. British consumers have diverse demands for foods that cannot always be produced in the UK. The UK therefore cannot secure 100% of its food

requirements from domestic production. However in respect of indigenous production, the UK should aspire to producing as much for domestic consumption as possible. It is therefore important to continue to monitor self-sufficiency levels in the UK.

33. In 2007, the NFU recommended an early warning system whereby production levels in each key sector are monitored against those in the rest of the EU. If production were to fall in a given sector we advocated that this should trigger a joint investigation between industry and government into the reasons why. If the reasons were a result of the inability of UK farmers to improve their competitiveness, then it would fall on the industry to decide what measures might be taken to address the issue. If the problems lie in the operation of the food chain, that is where the remedy should be sought. However if the investigation demonstrated that the fall resulted from the application of legislative requirements specific to the UK then Government should be compelled to assess whether those requirements should be amended. The NFU believes that these policy recommendations are even more relevant today