

AGRICULTURE - POLICY AND PROSPECTS IN THE OUTLOOK PERIOD

UK agriculture is engaged upon a process of rapid, radical and accelerating change, triggered by successive CAP reforms and in particular the manner of their application within UK. Government is now pointing to the need for ‘one-planet living, and, following the Stern Review a has described the environment as the “defining threat.” Agricultural businesses and their connected communities, faced with a CAP Health Check in 2008 and a further Review in 2013, must somehow try to read the route ahead through the signs of stiffening global competition and unprecedented environmental and social pressure.

Put simply, British agriculture and its policy architects have to plan how to navigate from where we are to where we aspire to be. That focuses attention on key questions to be resolved along the way

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Responsible Use of Resources in Agriculture and on the Land

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Introduction.

RURAL's stimulus for this seminar was a widely expressed concern about the speed and direction of change facing agriculture and its connected communities, and the need for a clearer understanding of the results of policy reforms. The concerns addressed to the Society were by no means exclusively defensive. Indeed most questioners and commentators - by far the majority - are keen to harmonise change with progress, to seek new opportunities, and to secure thriving businesses and communities in the long term.

UK agriculture is engaged upon a process of rapid, radical and accelerating change. This has been triggered by successive CAP reforms and in particular the manner of their application within UK. However, other influences are also at work. These include changes in agricultural markets and public expectations; environmental imperatives such as climate change (CC) and biodiversity, and imposed policy pressure such as the Water Framework Directive. In addition, new and differing prospects arise from global economic influences.

Understandably, agricultural businesses have reacted to this process in a variety of ways but chief among the concerns was a need to see more clearly the shape of the industry when current reforms are fully embedded and effective, the direction of yet further reforms, and the implication of further globalisation of markets.

These anxieties relate to the Secretary of State's concern to achieve 'one planet living'. They are **not** merely reactive to immediate pressures. Rather, they reflect the aspiration to press ahead with change and improve competitiveness, that will, at the same time, secure for the UK the fundamental benefits of a successful industry; sufficient safe and health-promoting food; the satisfaction of public expectations for the countryside; and the well being of the affected communities.

The drivers.

In initiating this debate RURAL suggested that the main drivers in this highly dynamic outlook period include:

- The CAP and WTO reform process and the behaviour of world markets.
- Public values and expectations for policy.
- Food and health.
- Climate change policy.
- Managing the natural environment including water and biodiversity.
- Technology.

The elements of the debate.

This topic is strategic; change is happening at a rate and with a profoundness and breadth of impact not previously experienced. This demands clear and coherent leadership at every level and across every element of this highly interdependent sector. The Secretary of State has recently delivered an update of Government's vision for the future, stressed that this should be shared and positive, emphasised the environmental context, and asserted that transition should be managed.

This is a distinct shift of emphasis from the recent past in which the perceived relationship

between agriculture and government was one of mutual distrust. The effort now is to achieve a position in which real dialogue is taking place. In order to facilitate the policy aspiration of one-planet living, a spotlight has been directed onto the food industry and food consumption and the environment is described as the “defining threat.” The Secretary of State has taken active steps to solicit views and ideas from within the industry. In these circumstances the requirement is to identify what needs to be done differently, and, in particular, what government needs to do differently. This provides an unprecedented opportunity for original thinking about what the priorities should be

Climate change, environment and technology.

The Stern Review has given rise to a fresh national and international political imperative. In the week in which this debate took place, two supermarket chains made “carbon conscious” announcements of policy steps that will cost them £800m. Since then, major businesses are almost daily announcing steps in the direction of carbon neutrality and carbon accounting. The notion that environmental security is now a “defining threat” facing Britain has taken root.

Internationally this is perceived as an opportunity for agriculture. Government has clearly indicated that the major emphasis for farming is towards green farming opportunities, eg renewables. There are profound resource implications in this. Others are well ahead of Britain. Agriculture is capable of delivering a unique range of major environmental benefits. However, at present, policy appears to have the limited vision of facilitating this through the ‘contract purchase of public goods’ as a means of restoring the “damage” that agriculture is held to have inflicted upon the natural environment over recent decades.

This perception was challenged at the outset of the debate. It was questioned whether modern farming practice had actually damaged the natural environment in the manner often suggested, and countered that, taken overall, the countryside and wider society still greatly benefited from the activities of the industry and its response to successive eras of government policies. Indeed, seen from a historical perspective, had it been any worse than the industrial revolution?

A key issue today is that of energy balance. Recent significant increases in yield have been achieved on the back of equally significant increases of energy consumption. The industry lacks a clear picture of this issue of balance. Balance relates both to the ‘energy in-energy out’ equation and to securing an appropriate balance in the use of energy through the whole food system, including the claims of other sectors. The implications of the climate change debate are that markets alone are not capable of delivering this. It is now central to consider policy strategies for mitigation and adaptation to climate change and to agriculture’s ability to respond to the opportunities which are thought to abound in the new era of carbon accounting.

The frequency of City announcements on climate change and carbon accounting indicates the likelihood of a new era of investment. If agriculture, horticulture and forestry are to contribute to solutions, they must receive a return that will cover the cost involved. In the absence of subsidies this will have to be through real market activity. How might this be done?

The meaning of “one-planet living” has yet to be fully worked through into practical management in agriculture and horticulture, and possibly the single most important resource is soils. Soils are capable of making huge positive contributions to the carbon equations and offsets - but we do not know, in terms of viable systems, how this could generate an

economic return for the farmer.

Massive land use changes are in prospect, driven by the factors noted above, but the potential carbon-positive implications of the changes in prospect is not fully understood. Research is now a high priority but we have a declining number of scientists in land related research.

Questioning the extent to which agriculture is a ‘lead agent’ in the climate change debate and solution-design process may seem legitimate. Agriculture is, after all, a relatively small area of the economy - so might not its climate-change role be equally small? Agri-food however is much more significant economically. Its importance lies perhaps not so much in the relative economic size of the industry but in the proportion of land it uses. With horticulture and forestry it is the area most capable of large-scale responses in biofuels, and bio-innovation. Moreover, world-wide, agriculture is thought to contribute some 30% of greenhouse gases (GHG). UK agriculture is under great pressure to reduce its contribution, and to lead by example in an international context.

There are new ways in which agriculture can both assist and benefit in the areas of new or novel foods, fuels, feed, chemicals, and materials all of which are rich in potential to contribute to climate change mitigation and adaptation, with economic benefits, but are dependent upon research and development. Successful development promises a completely new generation of bio-refining products as well as improved adaptation in existing and still developing areas such as biomass.

Alongside these essential requirements is the knowledge that not all green fuel solutions are sustainable in the long term (eg large-scale importation of ethanol or its source feed-stock) so although government has a role to play in encouraging the “direction of travel” by devices such as the Road transport Fuel Obligation, it also needs to audit and provide light-touch stimulation of newer and better solutions as well as early exploitation at the applied end of the research spectrum.

Some danger exists that the wrong economic assumptions might be made, for these ‘direction of travel’ devices are seen as supply-side issues - whereas the solutions to many current difficulties depend on demand-led responses. Experience tells us that support mechanisms designed to stimulate, or sustain a condition, actually distort and that governments generally are not good at accurately assessing when to ‘step in’. It is therefore prudent to look to the larger economy to provide the stimuli and, thereby, the responses needed. However there does remain the urgent need for research and the development of the technologies that the market will need for successful exploitation. It is in the public interest for government to invest at this stage.

Food security and home-production, ironically perhaps, have re-appeared on the public agenda on the back of climate-change and environmental consciousness. This raises issues of interdependence for countryside management. In the future, the product range may change with the climate; this has implications in terms of changes to importation patterns for food commodities and also for indigenous plant populations and species loss, which are not some new phenomena, and for species development for climate change adaptation and mitigation strategies.

Consideration of plant and animal population issues highlights the critical importance of strategies for soil water and air. For example: soil condition will be critical to progress with innovations for bio-fuels, bio-refined products and food products with improved health-promotion qualities. Water supply and quality is critical not only to the well being of the

population but in food and fuel production. GHG are a prime issue in CC mitigation, yet Nitrous Oxide emissions to air - which are 55% of farming's emissions - are rarely discussed.

In all these contexts, science and technology emerges, yet again, as a key area in which government strategy needs to be different, and leadership and investment is required. Three areas where a different approach is needed are:-

- the massive potential of soils to manage greater quantities of carbon otherwise released to atmosphere;
- the potential of land to retain water in the system for longer so that its use can be better exploited;
- the reduction of methane production whilst at the same time, enhancing protein levels in milk production.

To resolve these and similar problems, it is therefore an obvious strategy to harness the power of science and appropriate applied technologies to unleash the potential of farming to make a huge contribution. There are obstacles to the release of this potential however. First, the mind-set or attitude needs to be appropriate. Farmers need to recognise - and be recognised for - the potential of their contribution. This seminar was told farmers are moving rapidly away from the negative "do not want to be park-keepers" mind-set, although there may be a few for whom "change will only come when father dies." Most are keen to embrace ideas like "eat the view," to sell more and better health promoting foods, and to confront choices about producing food or energy or fuel or all of these. However, this points up the need for appropriate 'reward' systems. Farmers including the large commodity producers, are now highly consumer responsive, but the market does not reward many of the 'products' needed in the climate change context. Policy will also need to address the role of tax regimes and exchange rates.

The sectors, such as horticulture, which had been less supported were also facing increasingly harsh market conditions. They needed new and better technologies to keep up or, better yet, get ahead of the competition and to improve its food chain responses. It is clearly in the public interest for progress in this area to be sustained, yet, perversely, the seminar heard that some 40 science posts had been lost from the sustainable food and farming budget area.

Perhaps, it was suggested, a new policy climate of non-conflict was needed. A particular and narrow meaning, often simply "landscape biodiversity and habitat", attaches to the notion of "public goods." A wider approach is now needed, to include other types of public benefits such as food security and locality, smaller carbon footprint, land as a provider of GHG and climate change services, wider environmental benefits, and enabling technologies that will result in market solutions and economic benefit to society at large. This broader context has not been pursued and so there is as yet no policy response.

Government - responding to particular specialised and articulate lobby groups, or 'consumers,' rather than society as a whole - has possibly become the sole valuer of public goods. Public 'goods' which are non-rival and cannot be restricted to users, cannot be market tested. We know that 'consumers,' as 'citizens,' even in a predominantly urban society, place high expectations on Government to 'secure' the countryside for 'us'. Farming is seen as the prime delivery agent for this. Public funding has been directed towards those activities NOT provided by the market. Mechanisms are now needed to get beyond this framework. One approach might be to support more 'private' or 'club' goods eg bird/nature

reserves/ parks that deliver additional non-market benefits, such as reduced GHG emissions. The issue is to design the successful mixture of incentives / disincentives to bring this about.

Ideas and language such as “damage to the environment” have tended to inhibit thinking. This needs to change in light of the new challenges; the future requires a more open recognition of the full range of choices. This should catalyse the emergence of a different balance of where payments are justified (including paying less for some existing activities in order to produce movement) and a ‘test’ of the overall benefit. Policy instruments have to be found which will enable markets to operate competitively and deliver these non-market benefits. As yet we do not have ‘tools’ to do this. There is some encouragement to be discerned in the Minister’s observations on contracts for environmental outcomes. These may become an important part of agriculture policy if the value of carbon and other emissions becomes a measure enabling the wider public to become involved in the choices about land use.

The analyses can be complex. An example was given of the ‘carbon options’ available, when considering the best use of forestry and tree surgery /maintenance by- products. Several million tons per year of this material is currently not used productively; although a little enters local authority compost streams. One option is to use it as fuel for combined heat and power (CHP); another is to leave it on the ground and derive some biodiversity /local fertility benefit; another is to compost all of it and return it to cultivated land for greater soil-structure and carbon benefit; and a fourth option is to land-fill it as the best way to contain CO₂. The fundamental science for a systematic analysis of these options is already known, and the CO₂ effects are very different; what is not known is what would be the optimum solution in most general sets of circumstances. The use as CHP fuel is usually assumed the most favourable route - but it can be shown to be a marginal solution over composting back to cultivated land. CHP supply chains as a whole tend to be unfavourable. Current knowledge does not at present allow fully informed choices.

Social science has a strong part to play in assessing these matters because it is apparent that sections of society, sometimes numerically significant, increasingly exercise choices that are initially unexpected. On some food quality and price issues for example, work has shown that BCD socio-economic groups can feel more strongly than ABC. It may be that similar patterns exist for public value/public good judgements about carbon.

If agriculture is to understand, quantify and deliver the future requirement for public goods research and development is essential. In the pre-Rothschild Report era most of the world class British research institutes were created. Experience since, however, suggests that government departments, such as DEFRA, cannot be relied upon to reflect the national research needs or take the fruits of discoveries to the development stage so that society benefits. On the contrary, it appears that when a department is pressed for funds, as DEFRA has been of late, research funding that is unrelated to current policy priorities is as likely to be ‘raided’ as any other - with consequences far downstream.

Whilst recognising that “more research” is something of a perennial plea, especially from scientists, the mood nevertheless is that something profound needs to be done to create a capacity for agriculturally related research and development appropriate to current views of long term needs. These include emerging climate change, environmental and animal health and welfare issues, and priorities for health-promoting foods. Some ring-fencing of funding seems essential. Perhaps the model might be a parallel solution to that recently announced by the Medical Research Council in which an Office for the Strategic Co-ordination of Health Research (OSCRH) has been created outside government.

Critical in making progress is the response of business and especially of international corporations. They have accepted that for business planning purposes, perception is reality. Experience in relation to the use of genetic modification provides an example of how potentially profitable lines of development become blocked in the face of public opposition. Major corporations are forced to take a long term view of global developments and experience some frustration because of the lack of progress in accepting potentially valuable routes to make use of an improved mix of fuel, food and fibre from land resources. Investment decisions have to reflect the public view of ethics and to demonstrate that they are working responsibly in a diversity of international markets.

Experience from work on improving integration of the food chain provides a possible model for wider exploitation. The use of information technology, including the internet, enables a much greater degree of functional integration, information sharing, product properties, identity and differentiation, assurance, branding and more. There is no reason why this practice could not, in principle, be further extended to or adopted for carbon footprints, food miles, energy balance data and other indices. It should be possible to produce managerial tools of this type and integrate them into a financial and market structure. This introduces transparency and values which, in turn, enable consumers to make informed choices.

The dilemma for the farm business is that it has to increase its productivity in order to compete; and exercise social responsibility whilst simultaneously caring for biodiversity, habitat and the wider environment. Few farmers believe that consumers are prepared to pay any more to secure all this. Equally, farming is in no doubt that the burden of regulation has increased and looks set to continue to do so. So, if responding to climate change is a public good; for whom is this true, how can it be paid for, and how can the choices be steered? What proportions of the population do really care about such issues apart - from special interest groups? The retail sector is already seeking to respond to concerns voiced by consumer groups and must hope that their customers do share these values.

This raises a democratic issue. Retail businesses receive authentic messages about consumer preferences through their tills. However, where market failure exists, as in the case of anthropogenic climate change, public policy is essential if resources are to be directed to the greatest benefit of society. However, there are grounds for anxiety that groups that claim to represent consumers do so in only a partial manner which fails to reflect what consumers, as citizens, really want. A critical feature of making appropriate policy adaptations to climate change and other longer term environmental issues is that they should receive support from most of the population, not simply be a response to articulate groups. Only so can the 'policy market' that characterises a democracy function effectively.

The dilemma for government is that this is more than an intellectual debate; it has a duty to act on behalf of society as a whole for the common good. It can also influence choices. The evidence appears to be that activities that generate public goods can be encouraged in markets; increasing numbers of consumers are paying more for quality, for organic and other differentiations, for local and low-food-miles and for what they perceive as environmentally beneficial characteristics. If, as commentators anticipate, government does introduce a carbon or GHG tax in the next decade this may well have a hugely disproportionate effect on agriculture. A disappointment from Professor Stern's work is that it provides no land management examples of the positive contribution farming can deliver.

This suggests that we are not yet clever enough at aggregating all the benefits derived from rural areas and their people, values and systems; for example, the preservation of heritage or '

view', the water storage and through-soil infiltration benefits, and waste-absorption. In adapting to the demands of climate change, all these elements need to be taken into account.

Water was featured strongly in the debate. Concerns include lack of coherent responses to the Water Framework Directive, the implications being insufficiently well understood, and policy not taking water resources sufficiently seriously, especially such factors as the geographical imbalance of distribution of water assets. Given climate change, this is a matter of much increased seriousness, urgently in need of a change in policy direction.

Mention was made of taxation in various forms including trading, but it was pointed out that trade can simply amount to exporting the problem resulting from emissions if consumption remains the same. The commercial imperatives need carefully to be watched and anticipated, if policy is to make a positive contribution to reducing greenhouse gas emissions.

An overriding consideration, which has received less attention, is the evidence that climate change will proceed unabated to 2040; sufficient momentum is already in the climatic system that cannot be reversed. So far we have no responses to this. It is a global problem. UK farming and land use policy will need to adapt to this reality and, at the moment, the requisite knowledge is deficient.

Concluding this part of the debate elicited a series of questions. Farming appears to be encouraged along the bio-fuels or enviro-fuels route - but how confident can we be that this will really make a positive difference? Can we proceed on the basis of 'resolving the bad' or 'contributing to the good' and can agriculture really capture everyone else's carbon? Tree-planting has now been shown to be less of a good carbon sequestration idea than first thought - and how are we to achieve a 60% -80% cut in CO₂, which is what some are calling for? Almost certainly we shall need to reduce animal populations - how do we tell that to consumers when, worldwide, meat consumption is rising? How will these factors play into an already radical re-structuring of the industry?

The debate turned again to the research and development issues. There are areas where we have done the research but have no publicly funded experimental husbandry systems and therefore miss out on application. Anaerobic digestion and methane may be a neglected area which explains why EU competitors are so well ahead. It is as necessary to re-vitalise technology transfer as it is to make the case for the research or, more often, new technologies. We know too little about the carbon footprint, how to relate this to the public goods issue and how to secure solutions of the demand-led type to make the market pay for it. This is true internationally, so an opportunity exists for Britain to develop and export such know-how, and thus effectively engage in political leadership.

Common Agriculture Policy: reform and related issues.

Any view of the outlook and prospects needs to take account of some current limitations. Some examples for this debate follow.

British farming can no longer compete successfully in some EU and world markets.

Major land use change, including reversion to rough grazing, is in prospect. Stresses suffered by people as a result of rapid change require relief. Innovation needs to be accepted and encouraged to flourish. A multiplicity of agencies is already involved,

often with conspicuously conflicting effects.

Current indications are that SFP will prop-up landowners' business balance sheets for a substantial proportion of the industry for some time to come. Greater modulation and further reforms may not wean these businesses away from support, but simply entrench them in a new form of dependency.

Farming, including the extended service industry, has provided incomes and supported skill and management capacities in the countryside that extend beyond agriculture.

Society at large demands a countryside and farming practices that conform with its perceptions of heritage. It does not see this as a taxpayer liability.

The 2008 CAP health check seems likely to amount to a significant reform. A further more substantial reform is already scheduled for 2013 and the pace is quickening. The British view of these matters is markedly different from those of the Commission and probably most EU neighbours.

In future the role of government will be to help the industry deliver what the market will not - This creates a necessity for the progressive movement of CAP funding away from production support towards wider rural benefit.

The seminar posed the question; what do we seek from the CAP? The responses included some attention to food security- agriculture is after all the raw material source for the food industry; the well being of rural populations; and, for much of Europe, (although the UK government has not shared this view and it remains to be seen whether this will change) the maintenance of "agri-culture" within communities. So, while Pillar I support drains away, Pillar II is still needed for the three areas of 'agri-culture', environment, and rural economy. This was said to be vital. However, the last thing needed is another CAP 'drug' that would inhibit entrepreneurship.

In a community of 27 member states, the nature of the questions changes; managing markets is no longer a goal, but rural economy matters are more pressing; and the environmental issues have developed a new dynamic in the context of climate change. In the enlarged Community, culture issues are more diverse but no less potent. It is legitimate to ask if these issues are best resolved at the centre. To a significant extent, what happens in the rural economy areas is determined by developments in adjacent urban areas. To a considerable extent the key issues are specific to particular localities and their solution depends upon the action of the local community.

In the future it will be necessary to resolve some ambivalent relationships between 'good' and 'bad.' For example, a massive increase in bio-fuels production may have significant negative environmental impacts. Because of wide variations in needs and opportunities the existing CAP does not deliver, across a wide array of countries, the appropriate incentives to adjust. Cross-compliance, which still distributes to farmers payment linked to past levels of production, has blurred the Pillar I/II lines in an unhelpful way.

The founding idea of the CAP was to create a single market in agricultural goods as part of the overall Common Market. This involved prices that would be subject to internal competition within the Community. Simply to allow this to happen by removing barriers would have rapidly and substantially reduced the incomes of many existing farmers. As a

result, the CAP that evolved established internal prices that would also support farm incomes. In reality this was an ineffective policy as higher prices became embodied in higher capital values for land and the level of incomes was driven up by rising real incomes in the rest of the Community. For some farmers and especially farm workers and farmers' children this meant leaving their farms. For others it involved combining farm income with other sources earned by members of the farm household. In response to higher prices and higher labour costs many farmers sought to increase income through more intensive method of farming. Intensive systems are not necessarily 'bad' although some consequences in relation to pollution and biodiversity may be unwelcome.

The 2003 reforms which switched support from products to a single farm payment to farmers have allowed a greater diversity of systems to co-exist across the community. For the future, for all 27 member states, the 'new' CAP is required to deliver a new agenda. It must respond to market failure in relation both to externalities such as pollution, it must be compatible with rewarding activities that generate public goods, and it must aid rather than frustrate processes of radical adjustment. In doing so it will have to respond to the wide regional variations that exist within the enlarged EU and to cooperate in developing and sustaining rural economies. The inescapable nature of radical change emerges from events outside the control of agriculture or farm policy; the rising cost of labour, new and emerging technologies, more openness to world trade and significant changes in the optimum scale of food and farming systems. This raises again the issue about what matters are best dealt with at an EU level, and of those that are, what Directorates of the EU should have lead responsibility.

Central questions concern how to address about the shape of reforms for communities least able to change, either from lack of opportunity or motivation. We know that some of the most remote areas can appear to be the most resilient, but, where this is the result of accepting falling standards of living, it may reinforce disparities and create problems for the next generation. We need to understand better what happens when climate change impacts are modelled into the process. Thus far we know that virtually no environmental benefit has been secured from the 2003 reforms; cross-compliance shows no sign of achieving the hoped for positive results, indicating that improved forms of guidance are needed here. An ironic suggestion was that yet more red tape will mean that money can be made from form filling; an illustration that good intentions may lead to unwanted outcomes.

Some advocate that the CAP should be fully dismantled in favour of 'straight' social and rural policies. However such a step would need a revision of the Treaty of Rome that is politically improbable and demand a costly process of adjustment, for which there is perhaps no clear start-point, and would raise significant issues of industrial structure. Cross-compliance, new forms of environmental contract and gradual adjustment to new systems of values all imply the need to avoid sudden change.

There are some areas for optimism. The moves towards 'local and quality' organic and other product differentiations are succeeding in gaining ground - but these ideas and trading patterns do not fit well with the EU system. One consequent change may well be fewer and fewer people engaged in agriculture. For Pillar I, "the writing is on the wall" and so for the majority of producers the question becomes one of how and when to break the links. The majority of farming will become exposed to and involved in the patterns of world-traded commodities.

A diversity of solutions ought to be possible, but the difficulties in developing these derive from past expectations and perceptions. It should be possible to engage more people in the process of change and the design of future systems. Complexity enters the analysis when agriculture and food objectives are regarded as income support. 'Green box' public goods/

environmental objectives presently are; but, if they are genuinely decoupled, there is a strong case that they should be repatriated to member states.

Flows of funding build expectations, and the past culture of ‘support’ blinds us to opportunities. A system which valued the desired environmental results and simply paid for them would secure best value for public funds. This and even the prospect of co-financing has alarmed the farming community especially in the UK where government is seen as reluctant to pay. This illustrates that cross-compliance funding is, in effect, a fig-leaf for a system of payments which, from an objective view point in any other context, would be absurd.

It becomes increasingly necessary to identify the real economic costs of caring for the environment. The new generation of environmental schemes still rely heavily on the past era of benefit arising as a by-product of production systems and different two sets of values are blurred together. A related concern is the real dilemma that the Water Framework Directive presents in the form of real environmental gains in prospect but at punitive costs to production systems. Environmental objectives are harder to achieve when farming is not “at the core,” because re-allocation of resources is not optimally efficient in terms of what the market will pay. Costs and benefits are NOT properly quantified in current systems.

Farming in the EU presents many contradictions. It makes a huge contribution to world food supplies and to world markets and yet it attracts much disapproval. It is presented as having chronic problems of low income and yet in terms of asset value farmers are better off than most citizens. The Pillar II arrangements trumpeted in terms of their value to rural development and the countryside present a real disappointment for lobbyists. Expectations were high, but there is now a total lack of confidence because of the relatively poor deal that has been struck for the UK. Attitudes to future investment and business survival seem contradictory. There is a low return from farming and yet the price of land continues to rise. This in itself may inhibit the restructuring needed to secure a modern, efficient and competitive industry. Money flows into existing farming assets but how do we attract investment into farming itself rather than in the speculative value of houses and land? The industry needs more and better tenancy arrangements; existing structures are not adequate for the future.

The EU is a free market, without internal political frontiers. This has the effect that changes in any part will have repercussions in other areas of the Union. The accession, for example, of Poland and the Czech Republic had an immediate effect on prices, especially in the large volume horticultural sectors. Here the power of the retail sector, all over the EU, is very apparent; growers are said to be “told their price” by the retail chains. There is some contrast between the niche and volume sectors but some participants in this seminar were unconvinced by supermarkets’ claims that they are “driven by consumers” as though they have no influence on the market. (As this Briefing goes to press, the Competition Commission has sought further evidence as part of its Enquiry. One submission pointed out that, for comparable vegetables which are imported, supermarkets are able to pay twice the price paid to UK growers. That may well represent the added value to them of extended seasonality, but it is also held to illustrate apparent distortions to ‘local’ or home markets - whereas the real market is much wider.) That stated, the view remains that supermarkets must play a major role in developing the new food and farming system, they should be seen as an opportunity, rather than a threat.

By the time of the 2013 reforms, technology is expected to be playing an even greater part in global food and other land-based production. The industry in the EU will have to react.

Science-based drivers are likely to increase their effect; 100 million hectares of GM crops are already being grown, and the food, fibre and chemical value chains are already affected; agriculture is on the threshold of providing new ranges of raw materials for the family of biosciences. The technology industries believe strongly that the EU cannot go on “skating around” emerging science /technology developments; substantial long term investments are already well ahead in China and Asia, and the EU is in real danger of falling behind. Real opportunities are believed to exist in bioscience development, much of which will be necessary in response to climate change; for example drought resistant wheats; new technology for foodstuffs, packaging and waste; carbon-neutral housing, and more. Analysis of the future food chain will undoubtedly identify further needs. It is important to anticipate these trends and to be able to exploit the new and different opportunities that will undoubtedly exist.

The internal shape of markets may change even faster in the outlook period; what was described above as niche production could significantly enlarge if the real cost of transport increases and it becomes less viable to retain the current scale of “cheap-oil based” systems. Woodlands, for example may assume a new importance. These trends make for more complex tenancy arrangements or partnerships, different funding and income streams and change the nature and balance of business risk. In pursuit of marketing innovation, it was envisaged that many more farmers will have to engage in speciality or differentiated products, and use branding and like methods to present current commodities in the marketplace; however it does not follow that they will be paid any more for them.

The language of the carbon footprint is taking hold and a new rigour is emerging which is regarded as very helpful. It tends to introduce new concentration on topics as varied as transporting of New Zealand lamb and other meats from overseas markets, to analysis of energy inputs within the EU; moreover consumers, increasingly, are beginning to understand the issues. However, there are dangers in simplification. Can we, for example, have ‘good and bad’ carbon use; can we really expect to have universally accepted accounting conventions; will there be measurement that we can rely upon; will we have rigour - yes or no?

The relevance and power of information-based technologies was re-emphasised. The IT age opens many new opportunities in terms of transaction systems, application of business thinking in new settings such as public goods and carbon offsetting, food and health and more. These are powerful - and empowering - technologies; relatively, they are not costly and they can markedly shorten the producer- consumer links.

The range of material adduced in this debate illustrates that the policy issues reach across several government departments. Rather than make the usual simple plea for more joined up government this seminar asked the fundamental question: is our current government policy structure adequate for the purposes and setting now envisaged? The answer is almost certainly not. The Secretary of State has moved some way towards this point by indicating that the worlds of farming, energy, land use and food must move closer together; the participants in this seminar indicate that more, and different movement is needed.

Finally.

It is not the role of RURAL to conclude on these matters; rather, the purpose is to add illumination. The light thrown by this seminar reveals some main themes where ‘more and different’ could with advantage be applied.

The well being of the communities affected was a start-point for this event. The overwhelming inference from this debate is that this can only come from real market activity, including in areas hitherto regarded as non-market and in such ideas as ‘agriculture,’ and that policy needs to be more innovative in stimulating the transition.

Climate change issues have now become powerfully impressed among decision-takers. This is not yet matched by thinking about how agriculture and land management can play a full role in mitigation and adaptation strategies- and derive full economic benefit.

Technology, and where necessary its under-pinning research, and including information technologies, will have a critical role in many aspects of the scene. A fresh look is urgently needed to identify current and future deficiencies and procure the resources required.

The increasingly far-reaching reform processes are now accompanied by a dynamic and interdependent set of international, cultural, economic and environmental influences which, in turn, make business decision-taking and re-structuring of the industry increasingly complex. Yet there was optimism. Accurate policy sign-posting in different areas and for new sorts of values mentioned would appear to be a powerful means of sustaining that optimism and the necessary leadership.

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Addendum.

Seminar participants were invited at the end of the debate to state in under one minute their most significant point or points from this debate. The following is a brief synopsis of those points.

1.1 Spend now on bioscience R&D especially in the applied areas. 1.2. We must do something about water resource imbalance. 1.3. We need to go on working for a much more coherent food chain. 1.4. We need to link policies for food, energy and environment. 1.5 Spending on rural development is essential.

2. Farming can make an impact on the carbon footprint; individual farmers cannot be influential.

3.1. It is still not clear what our CC objectives are; unless we have massive changes to lifestyle, all else is mere tinkering. More clarification is required on the big issues. 3.2. Public 'good' is **not** about demand - it is about advocacy, imperfections in the market, and power imbalance - as for other goods and services. As a result, we have warped conservation from this advocacy.

4.1. We need a wider emphasis on the non -agricultural economy, with more of this in rural contexts. 4.2. Co-financing and Cross-compliance is likely to be a good thing in the long run. 4.3. Global warming is an opportunity, and particular areas we should concentrate on are 2nd generation bio-fuels and methane generation.

5.1. At political level there are dangers of getting the approach to reform wrong. The UK could easily find itself so out of line with other EU states that an adverse effect on competitiveness ensues - with further bad effects for environment and other policy aspirations. 5.2. We need to make the case **to consumers** for agriculture and CC adaptation/mitigation strategies much more effectively; they, after all will, carry the costs. 5.3. On Agriculture policy the UK is deeply different in its approach from the rest of the EU. 5.4. Farming should not lose heart; there are opportunities.

6.1. There are research and development deficits across the industry's areas of interest at the applied end: it is probably at its worst in the environment/climate change area. 6.2. There is much to be perplexed about; the imperative to feed 9bn people **and** manage climate change as one planet makes for hugely difficult choices. 6.3. Information is the key to choices about carbon and the supply chains; developed IT systems would empower consumers and others making choices. 6.4. There is much to commend carbon accounting.

7.1. Are we being too complacent about CC and invasive species? 7.2. There are real perception problems affecting consumer questions. 7.3. The scale of investment in biosciences needs to be markedly increased for rural and agricultural needs of the UK.

8.1. We badly need a better and clearer public understanding of the importance of natural resources, and to build awareness. 8.2. Carbon 'budgeting' is a valuable tool. 8.3. The CAP is less and less about agriculture.

9.1. Today's society – perception equals reality. 9.2. Science and bioscience investment and scaling-up are needed. 9.3 In the international marketplace, ethical responsibilities, transparency and honesty are all relevant to the value of decisions. 9.3. Reinforces the complexity. 9.4 Deal with the bad and accept the good. 9.5. There are opportunities in rural agriculture - let us hope they are in the UK.

10.1. We face, literally, a global problem with CC to which the UK has to become reconciled - but it cannot do so with current technologies. 10.2. There is a major perception, understanding and communications problem to be resolved.

11. No-one is suggesting that the CAP is right for the future; major transition problems are entailed especially outside the UK.

12. Knee-jerk reactions have to be avoided; communications are driven by government - but also by consumers.

13.1. On CC there is a limit to what one country can do unilaterally. For global impact, the

field is unlevel because of markets - so there is an important trading message to be understood. 13.2. On the CAP, the EU must work to bring the Eastern member states into a fully developed market economy.

14.1. Farming needs to have some clear direction - and deserves some respect for what is already being achieved. 14.2. Farming is **not** a single-issue industry; so policy needs to recognise the underlying diversity of tasks and obligations, eg the GHG issue. 14.3. The consumer is indeed 'king' - but needs 'education'/ information and the benefit of better communications. 14.4. Agriculture is one of the first to exploit technology - some luddites and 'good and bad' perhaps - and it wants and needs to do so responsibly.

15.1. Radically reformed or not, the CAP might not necessarily be environmentally beneficial. 15.2. We are now in a period of greater and greater demand for public goods, some of them, such as CC responses, very difficult to price. This will mean some very hard choices. 15.3. What drives agriculture in future may be something entirely different from the past, eg new production systems, research results, and market entrepreneurs.

16.1. Environmental protection and similar drivers cost what? We do not know, and we need to, for agriculture and other areas of land management. 16.2. Lateral thinking about business structure is necessary. 16.3. We need some overt evidence that cross-departmental policy solutions can be achieved.

17.1. The GHG issue is of significant importance. 17.3. Significant changes of attitude are needed in the industry if we are to properly address consumer choice issues. 17.3. Optimism about market trends, consumer issues, climate change measures and environmental benefits from agriculture. 17.4. Optimism that current threats can be turned to opportunities.

18.1. We need to measure agriculture's 'carbon -positive contribution' - and then find ways of paying an economic return for it.

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RURAL's FUTURE SEMINARS

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Do you have views on these issues or indeed on other issues to which RURAL should turn its attention?

If so, please contact the Director RURAL,

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