

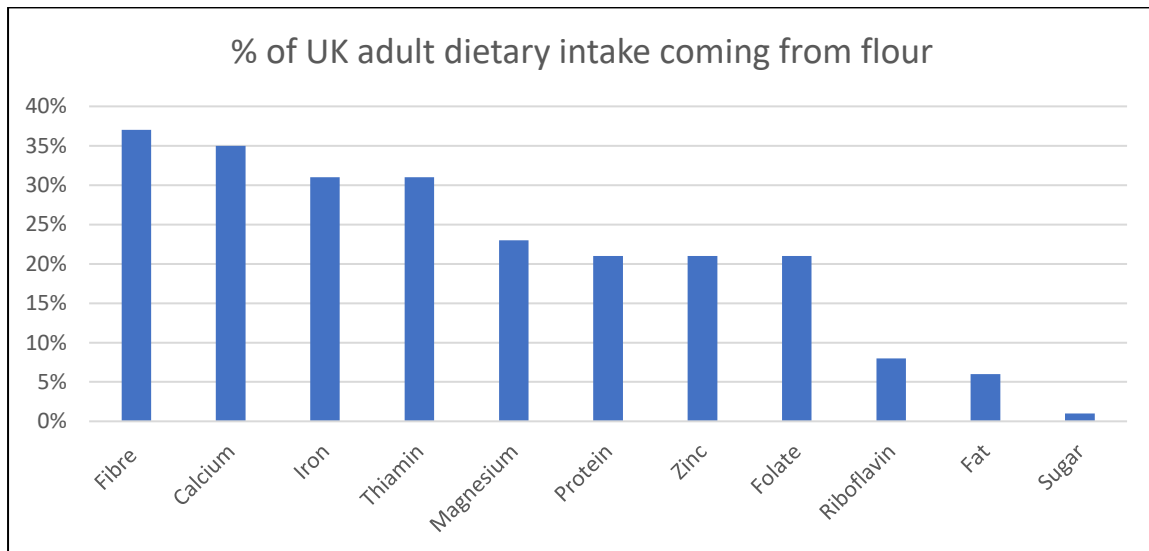


## Health and Harmony: the future for food, farming and the environment in a Green Brexit

### Response from the National Association of British and Irish Millers (nabim)

**nabim** is the trade association for the UK flour milling industry, with 30 members representing 99% of the flour milling capacity in the UK and Ireland. Our members range from large multi-site businesses to very small stone mills. Together they purchase over 5 million tonnes of wheat each year, about 85% of which is grown in the UK. Our customers produce an enormous range of foodstuffs, including bread and rolls, biscuits, pizzas, pies, pasties, cakes, coatings and other food ingredients. A small proportion of flour is sold in retail packs. As well as supplying domestic customers, our sector exports about 300,000 tonnes of flour and mixes each year, mainly to customers in the European Union.

Flour is an essential part of the UK food chain, delivering around 20% of energy requirements as well as a broad range of vitamins and minerals, fibre and protein. It is a vital ingredient in the nation's diet.



The industry is proud of its ability to provide consistent flours to its customers, milled to bespoke specification to produce the ideal material for each product, despite the natural variation between one harvest and the next. The UK flour milling sector has an excellent reputation, with some of the most efficiently managed facilities in the world and notable productivity improvements in the last ten years. Our high standards mean that more than 40 countries on every continent around the world enrol students on our industry led training programmes.

## **Executive Summary**

Departure from the EU presents an opportunity to recast the support for agriculture delivered through the CAP into a form better suited to the UK's circumstances. The Secretary of State wishes to see a combination of environmental enhancement, new talent entering the sector, innovation and profitable food production. **nabim** supports these objectives, and the challenge will be both to find the correct balance between them and to devise mechanisms that deliver effective outcomes.

### **Flour millers need profitable suppliers, and profitable farm businesses are in the best position to invest in desirable environmental outcomes**

Our industry relies on UK farmers to supply the overwhelming majority of the grain we use. It is therefore essential that we have productive, competitive and profitable farmers in the UK so that we can continue to provide excellent flour at a competitive price. We believe that only these sustainable businesses will be in a position to deliver both grain of the quality that we and the nation require and elements of the environmental goods that future strategy intends to deliver. In our view the paper underplays the significance of food production as an output of agriculture and its link with environmental and other issues.

We also consider that, especially where high environmental and quality standards are required as a matter of policy, there are elements of food provision which are a public good (excellent health standards, high water quality, plant and animal health standards etc.). It is not always the case that the market rewards goods of this type, especially in the world of commodities which are produced in very different conditions around the world. Therefore, if the UK wishes as a matter of policy to maintain high food standards, the policy package needs to recognise and reward it or competitiveness with those who adopt a different approach will be undermined.

### **Agriculture is not independent of food manufacturing**

The document seems very strongly focussed on the farming sector as though it is entirely divorced from its food manufacturing and processing customer base. This is an oversight that is likely to lead to sub-optimal outcomes. Flour millers require wheat with specific quality characteristics. There is not much benefit in minimising the environmental footprint of production if the resulting grain is not of the correct quality. When it comes to exports, manufactured products deliver in general a much greater return in terms of value addition and employment in the UK compared with agricultural goods. In order to compete effectively, the UK needs the entire production chain to be competitive, not just one element. In our part of the industry, this requires plant breeders, farmers, grain processors and secondary processors to work together in a joined-up fashion. This way innovation at one stage will deliver benefits at another. For example, plant breeders may be able to develop varieties that need less energy to process, make better bread, require less water; innovation on farm might lead to more efficient uptake of fertiliser; a changing nutrient balance in fertiliser could lead to reduced process contaminants; innovation in a bakery could mean increased demand for lower input wheat. If policy is to support improved innovation and productivity, it is essential that this connectivity is properly understood and built into initiatives.

## **Reform within the CAP**

This is not an area where flour millers have much expertise, but **nabim** favours anything that could improve certainty for growers. In terms of the specific questions posed, we believe that further simplification would be welcome by growers, as would a commitment that substantially all claims will be paid in a timely fashion – say by the end of January (an outcome which greater simplicity would help deliver).

## **An “agricultural transition”**

Environmental objectives have been captured in both CAP pillar one and pillar two payments in recent years. Given that the general thrust of the consultation paper is that policy should be directed at improving productivity, delivering environmental benefits, it seems a little inconsistent to propose that payments should be capped on the rather arbitrary basis of size. In our view it would be more logical to apply a percentage flat rate reduction to all payments. This could be mitigated for zones of special concern (eg LFAs). Ideally whatever route is chosen, divergence of approach between England and other parts of the UK should be managed to avoid market distortion.

Our inclination would be for existing direct payments to be phased out over a relatively lengthy period (4-5 years), as new schemes are introduced. This will provide opportunities for new arrangements to be tested properly and hence minimise the risk of unintended consequences.

## **A successful future for farming**

### Research

The problem with attempting to list topics is that they are often not mutually exclusive. So **nabim** would support investment in plant breeding and genetics, which might also help to deliver improved crop health, sustainable resource management, improved environmental performance and soil health. We would tend to support any approach which ultimately improves the prospect of a continuing supply of competitively produced environmentally sustainable grain from the UK.

### Knowledge and advice

**nabim** supports all initiatives to improve knowledge and best practice dissemination. Given the wide range of performance in the arable sector however, it is clear that the uptake of skills is far from uniform. So, whilst we would support initiatives such as benchmarking CPD and peer to peer exchange, it is clear that something else is needed to encourage (some) farmers to turn knowledge into action.

## **Public Money for Public Goods**

Whilst food production is rewarded by the market (albeit inconsistently), it is nevertheless in our view a public good. Domestic food security, reduced carbon footprint, values in food production, and avoiding the export of environmental problems are all arguably public goods determined by policy but not necessarily rewarded in the market. Furthermore, it could be argued that many of the different areas identified in the paper depend on the production of

food products from UK farms. Without a sustainable business, farmers will not be in a position to deliver the desired environmental benefit, whatever the compensation.

Therefore, we believe that the Government should be consider extending the definition of public goods to include some aspects of food production. Furthermore, we are uncertain that it is possible to rank public goods in the way suggested. All the factors outlined will be of value to different parts of business and the community and may be delivered to a greater or lesser extent depending on the particular farming environment. Ultimately, it might be best to develop and reward farmers on the basis of a menu of options, allowing businesses to select options based on local circumstances and demands.

### **Changing Regulatory Culture**

Each of the various options proposed for improving inspections has its merits. In relation to assurance schemes, it is however important to note that these have varying degrees of environmental coverage. In general, they are designed to provide assurance that defined standards have been and continue to be met on a range of issues relating to food regulation, agrochemical issues, animal welfare, environmental management etc. However, most do include a third party inspection and should therefore be part of earned recognition and a proportionate approach to risk management.

### **Risk Management and Resilience**

Volatility is an important issue for farmers. Whilst there are tools available to help manage agricultural price volatility (such as futures and options), these are not always widely used. Likewise, insurance against crop loss has very limited uptake in the UK which suffers from less extreme weather than some tropical or continental farming regions.

In the arable sector, UK growers are exposed to world market pricing, and this can be affected by political influence, especially given the growing significance of China and Russia as buyers and sellers, and the potentially large influence of India as it seeks to generate more income from agriculture. Various market distortions result from political influence such as biofuel mandates that currently absorb well over 100 million tonnes of US maize each year. Therefore, **nabim** strongly supports the proposed retention of safety net provisions in the event of a global crisis.

### **Ensuring Fairness in the Supply Chain**

The provision and uptake of good quality, independent data is an important part of maintaining fairness in the supply chain. We believe that there is a continuing role for government in this area, with benefits falling to all those involved in the agricultural supply chain, especially smaller businesses. Whilst industry invests considerable resource in analysing and sense checking public data, it would be a mistake for government to withdraw further from data collection.

## **International trade**

In our view the potential for increased exports of unprocessed agricultural products is limited, but there are opportunities to expand exports of food and processed agricultural products from the UK, to partners in the EU 27 and beyond. However, this requires both a supply of agricultural raw materials and a trade policy that effectively balances access to overseas markets with protection of our high quality, environmentally sustainable farm production base in the UK. Over the years as part of the EU, the UK has successfully negotiated a tariff structure in the arable sector which gives domestic processors access to imported raw materials on a tariff free basis where these are required, but provides a degree of protection for UK growers from low priced competition or dumping of products which the UK is able to produce competitively. We think it is important for this balance to be maintained. And equally important that, as discussed earlier, the whole supply chain is able to compete effectively. Therefore the UK's future trade policy should take account of these intricacies in weighing up any potential trade agreement and the impact on the supply base and value addition in the UK.