HOUSE OF LORDS

Horticultural Sector Committee

Corrected oral evidence: The horticultural sector

Thursday 20 April 2023

10.30 am

Watch the meeting

Members present: Lord Redesdale (The Chair); The Earl of Arran; Baroness Buscombe; Lord Carter of Coles; Lord Colgrain; Lord Curry of Kirkharle; Baroness Fookes; Baroness Jones of Whitchurch; Lord Sahota; Baroness Walmsley; Lord Watson of Wyre Forest; Baroness Willis of Summertown.

Evidence Session No. 7 Heard in Public Questions 83 - 92

Witnesses

I: Mike Norris, Director, Newey Group and Member, West Sussex Growers' Association; Ali Capper, Director, Stocks Farm; Jack Ward, Chief Executive Officer, British Growers Association.

Examination of witnesses

Mike Norris, Ali Capper and Jack Ward.

Q83 **The Chair:** I thank our witnesses for coming today. I will kick off with the first question so that you can introduce yourselves. What are the immediate challenges facing growers today?

Jack Ward: I am the chief executive of the British Growers Association. We operate predominantly in the vegetable sector. That is our main area of interest.

The big issue for the vegetable sector is that there is insufficient money across the supply chain, certainly to cover the recent increase in costs. That is draining confidence, enthusiasm and the appetite to reinvest from the industry. We generally see a scaling back of production; there are other things that people can do with what is normally extremely fertile land. That is a great sadness. We all know that we should produce and consume more fruit and veg, but actually, on the ground, the situation is going backwards. There is insufficient money to cover the costs of growing, supplying and retailing fresh produce. A classic example is that, over Easter, carrots retailed at 19p per kilo. They probably cost 45p to 50p per kilo to produce. Even today, carrots are on sale for 50p per kilo. There is not enough money in the system to reward everybody who needs to cover their costs.

Ali Capper: I farm with my husband and father-in-law in a family partnership on the Herefordshire/Worcestershire border. We farm hops and apples, with the hops going into the brewing supply chain and the apples into the supermarket supply chain. It is important to say that it is often not understood that most fruit and veg in this country is hand-picked. We will come on to that.

I represent British Apples and Pears as executive chairman. I sit on the board of the British Hop Association and the NFU's horticulture board, which I chaired for six years. Sometimes you will hear me talk about the whole sector. I will try to concentrate on apples, but I sometimes go off-piste. British Apples and Pears accounts for just over 5,000 hectares of land in the UK. We have about 300 members and we produce about 2 billion eating apples here in the UK for UK supermarkets. That sounds a lot, but it is only enough for 30 apples per person. If we are trying to get everybody to eat an apple a day, you can see that UK production falls some way short. For me, that is an opportunity. There is a lot we can go for. We are an ambitious sector: we now account for 40% of all apples sold in UK retail, but we would like it to be 60%. I concur with Jack that our biggest challenge is the return from the market. Is that because we have a cheap food policy directed by government to retail, or because retailers charge consumers more but it does not come back to the farm gate?

I have to be very careful in my role not to do anything that would fly in the face of competition law, but I will give you some facts about the apple industry. Our energy costs are up by 133%. There is a lack of understanding about how much energy is embedded in our fruit and vegetables. We often store apples for a 12-month period and, if not 12, for six or nine, so that we can present the consumer with a fresh apple at whatever time it comes out of store. That 133% increase in energy costs is critical. Our sector has not been added to the energy and trade intensive industries scheme. I cannot understand why. I cannot understand why the primary production of fruit and vegetables has not been supported, so I would make that an ask.

Food inflation in the UK sits, as of yesterday, at 19.1%. The lowest-priced apples have increased on shelf by 17%. Those two statistics are from the ONS. Grower costs have gone up by 23% according to a Promar report for the NFU in November. The report looked at the difference in grower costs between November 2021 and November 2022. Our costs have gone up by 23%, yet the returns that apple growers get back from the market increased by 0.8%. They are static. To support what Jack said, the shopper seems to be charged more but the money does not come back down to the packhouse or farm gate. There is something wrong in the supply chain. Should the Government investigate that? I believe that where there is market failure there are powers in the Agriculture Act for the Government to intervene and investigate. I suggest that they might want to do that.

The other big issue for our sector is certainty and business confidence. A lot of government policy seems to be quite last minute, reactive and difficult for businesses that are trying to plan. Most businesses have a five-year planning cycle. For an orchardist, it is a 20-year cycle because the trees that we plant this year were ordered two years ago and will not come into full production for another five or six years. We do not hit profitability until years 12 or 13. We take massive risks, so we need certainty. We particularly need certainty around our seasonal labour. I will perhaps talk about that more under the labour question. Those are our challenges as I see them.

Mike Norris: I am a director of Newey Ltd, a large ornamental grower in West Sussex and part of the Greosn group. One of our sister companies is Varfell Farms in Cornwall, of which I am also a director, where we harvest daffodils for UK supermarkets and export. We are also involved in soft fruit and have a labour company, Pro-Force, which operates and is part of the seasonal worker pilot scheme. I am here to represent the ornamental sector and the West Sussex Growers' Association, which is a specialist branch of the NFU. We have 40 members who employ about 10,000 full-time equivalents and we produce about £4 billion-worth of produce every year.

I totally agree with Ali and Jack, particularly on their points about labour and the seasonal worker pilot scheme, but we face other challenges. The availability of accommodation for seasonal labour is a real challenge for us. That flows into planning policy. To grow our businesses, we need access to land, as well as available land to grow and develop on. I am sure we will cover some capital investment points later in the discussion.

Some restrictive government policy is challenging for us, in particular on plant protection products. The ornamental industry is very supportive of HCP's work on the EAMU scheme. We have challenges in biosecurity, the current plans for plant passporting, and the border control plan in place. As ornamental growers, biosecurity is top of our agenda; geraniums, for example, are a huge crop for us but prone to Xanthomonas bacteria. If we have a challenge with that, the financial impact on our business is enormous. That is relevant for all growers, whether small, medium or large.

We would like a trusted trader scheme. We are part of an elite biosecure supply chain that ultimately ends up in people's gardens and brightens up their homes. Ali touched on the seasonal worker pilot scheme. We will go on to talk about peat and peat policy. Ali rightly touched on confidence and certainty. I am also director of a business in Portugal, Desafio Jasmim Lda, which has a lot of support from local government and municipalities on key issues; we will talk later about water and labour, and accommodation for labour. As a result, a lot of UK horticultural companies, not only in ornamentals but in fruit and edibles, are investing in Portugal, for example, because they gain the support they need to facilitate investment. I talked to one significant grower the other day who wants to invest in the UK. He wants to replace his buildings and to continue employing people in the area, but has chosen to invest in his facility in Portugal as a result of the challenges facing the sector here.

Q84 **Lord Colgrain:** Could you expand on the challenges that growers face when doing business with retailers, in particular supermarkets, which have clearly had a bad press?

Ali Capper: Shoppers need somewhere to buy and growers need somewhere to sell. Compared with other countries, the UK is quite lucky. We have nearly 70 million consumers on quite a small island. New Zealand is a similar size but has only 4 million consumers. As growers, we have a market. Supermarkets offer us a slick, efficient and relatively cost-efficient way of presenting and selling our products. We need them. And they know we need them. That is the first thing.

Secondly, it is demanded of us that we help to provide a 365-day supply. It is often not well understood that if you have a direct relationship with a retailer, you are often responsible not only for what you produce but, in your off-season, for what you import or pack on their behalf. There are different levels of detail. The big challenge is the power imbalance. To quote the most recent turnover figures, some from 2022 and some from 2021, Tesco is a business with nearly £58 billion in turnover, Sainsbury's £28 billion, Aldi nearly £14 billion and Asda £20.4 billion. They are all multibillion-pound turnover businesses with very strong negotiating power.

In contrast, our sector is diverse and made up of lots of people like me in family farming partnerships. Very few of even the biggest businesses in our sector are corporate. Most are family farming partnerships. I looked through Companies House, and the largest are in the region of between about £15 million and £65 million turnover. By comparison to the supermarkets, we are minnows. That makes negotiating difficult. Part of the problem in our supply chain is that relatively recently most retailers changed to working with only two or three suppliers. As one of those suppliers, you will be challenged on programme—the amount of volume you are allowed to sell—and that is as much negotiated as price. Obviously, if the retailer knows that you have 20,000 bins of apples to sell, that is a point of negotiation for the retailer. The negotiating power is imbalanced.

I do not believe that competition law helps us any more. It absolutely works in favour of the consumer, but are we proud of having the second or third cheapest food in the world? I am not sure I am. I am not sure that that is appropriate for a first-world economy. We are on some of the most expensive land with some of the most expensive workforce and some of the highest standards. I am very proud to farm to those high standards, but they come at a cost. If we want cheap food, it means that we trade to the bottom. Retailers put us up against cheaper imports. They are cheaper, because labour and land costs are less and standards are lower. That is not fair, not if the Government dictate standards to us, as they often do.

There is a power imbalance. There will always be cheaper imports available. What do we do about that? There needs to be more fairness. There was a recent issue about Tesco coming to the market with its fulfilment fees, with no warning or notice, of 5p per pack for an own-label product. Fivepence on a bag of six apples is very significant for an apple grower. I am not sure how that will play out, but it is a good example of unfair practice. It is imperative that the Groceries Code Adjudicator remains. I am very concerned by talk about folding the adjudicator into the Competition and Markets Authority. The adjudicator's remit needs to expand, with more power. We are seeing market failure. We have seen market failure in eggs, in elements of poultry and in horticulture in fruit and vegetables. The disparities between what the shopper pays and what comes back to farm gate or packhouse deserve attention from government.

Lord Colgrain: Could you explain what you said at the beginning? You said that if you cannot fulfil your contract with a supermarket you might be importing product from elsewhere, repackaging it and selling it on. Is that right?

Ali Capper: Jack may be better qualified to answer that, but if, for example, you grow spring onions, you might grow them here in season during the summer months. You may be growing them in Europe for the shoulder—spring and autumn—and you may also be growing them in, for example, Senegal. A grower I know quite well does all of that. If you were not able to supply from the UK, you would be expected to pull either from where you grow or go and purchase.

Then there is what happens if you have crop failure. We have not talked about weather, which is the biggest risk that we all face, especially with outdoor crops. Production can vary by 20% or 25% just thanks to weather. If you have crop failure or yield decline, you are required to find that product elsewhere. Earlier this year, in the case of tomatoes it was very difficult for growers with a programme to supply. On the continent, tomatoes were worth five or six times more than anybody was willing to pay here. That can have a significant impact on business profitability.

Q85 **Baroness Willis of Summertown:** I have a broader question focused on costs. How much are you driven by the largest supermarkets to meet their environmental and sustainability standards? Does that add another layer or should they pay you for better practices?

Ali Capper: The challenge for all of us at the moment is trying to provide data on scope 3 emissions. As primary producers, we are a retailer's scope 3 emissions. Do I need to explain that?

Baroness Willis of Summertown: I do not think so.

Ali Capper: The challenge is in how we provide that data. There is not enough good science. I would love to see some investment in life cycle carbon analysis of our major crops. I am sorry to get a bit technical, but we depend on carbon-calculator tools to deliver that scope 3 emissions data. For those tools to be fit for purpose, they need underlying life cycle carbon analysis data. At the moment, we do not really have that in the UK for our major crops. Each carbon-calculator tool I use gives me a different answer. How accurate is the scope 3 emission data that we are providing? I would argue not very, but there are apple growers who have to employ whole new members of staff and teams to deliver the data and knowledge that retail demands.

Baroness Willis of Summertown: There are also scope 1 and scope 2 emissions, and we had Defra here talking about ELMS. Is there money to be had from ELM schemes to do this?

Ali Capper: I will answer the question on ELMS for our sector. Despite the title, despite there being ELMS standards with horticulture in the title, they are not fit for purpose for most horticultural enterprises. As an orchardist, I do not want a scheme predicated on income forgone as it means I would have to take out trees to do environmental good. That is completely barking mad when you grow orchards, where you could be incentivised to put environmental good into an orchard, as orchardists can if they have the right equipment. For example, if you own a three-row sprayer, and you travel only on one in every three rows, you can plant wild flowers down the other two alleyways, but there is nothing in the ELMS standard to encourage that. There is nothing in the ELMS standard to encourage carbon calculator action, and there should be. The ELM scheme could introduce those simple measures to help the sector. At the moment, when I look at all the measures, they cover my costs but they do not allow me to make a profit. I am not a charity; I am trying to run a business.

Q86 **Lord Curry of Kirkharle:** Ali, you mentioned the Groceries Code Adjudicator and the question mark over its future. I think you also said, if I am quoting you correctly, that you felt that the current trading arrangement was unfair. The adjudicator cannot intervene on pricing but can investigate unfair practices. Are we at the tipping point where there needs to be an investigation by the adjudicator?

Ali Capper: This is hard. I know of growers who have experienced code non-compliance by retailers but will not report it. They are frightened that they would not just lose their existing business but never do business with any supermarket again.

Lord Curry of Kirkharle: Is it Jack's role to report that?

Jack Ward: It could be. One of the big issues we face with retailers is the competition between them for market share, which is intense. Dealing with UK retailers, we are dealing with the toughest retailing environment anywhere on the planet. A lot of growers have long-standing relationships with retailers that work quite successfully. If you speak to retailers off the record, a lot of them would like to see growers rewarded in a better way, but they are always looking over their shoulder at what their fellow retailer is up to and they have to keep an eye on prices. That intense, internal competition really sits on prices.

A lot of growers feel that they shoulder far too big a share of the risk. You might have a programme to produce onions, brassicas or whatever and then you run short. There was a classic example this year with a difficult season for cauliflowers, so that people ran short after Christmas. Cauliflowers were on sale in retailers for £1. To keep the supply going, they were importing them at £3 a go—£3 for each cauliflower in order to put them on the shelves at £1. That is the kind of pressure they are under. If retailers turn round and say, "We can't sell it", you end up ploughing it in. Carrying that level of risk is enormously challenging for a lot of growers.

Lord Carter of Coles: It is a highly competitive market for retailers. Do you know anything about other markets, such as in Germany or France? Big supermarket chains are very effective in those countries. Why is it so intense here? Does the same pattern of supplier dominance have the same effect in those markets?

Ali Capper: It is about the entrance of discounters to our market, which is a relatively recent phenomenon. There used to be a lot more seasonal pricing in the UK market. That is what happens on the continent: seasonal pricing that reflects availability and supply. In the UK, we have had a race to the bottom on price. It is about Aldi price match. How many retailers do you know that match Aldi on price? As an ex-marketeer—that is what I did in my old world—I find it extraordinary to watch TV ads from our traditional multiple retailers that say, "Aldi price", "Aldi price", "Aldi price". It is extraordinary. They are driving their own customers elsewhere.

Q87 **Lord Carter of Coles:** You have all referenced labour. The two issues are the quantity of labour and the quality of labour. Perhaps we could start with the seasonal worker scheme. Taking a longer-term view, how bad will things get if we do not get enough labour?

Mike Norris: I will start the ball rolling. Following on from the last topic, businesses need certainty. We will always need people. There is a lot of discussion around automation. I come from a heavily invested, automated ornamental plant business. The next stage for us will be robotics, but we are certainly a long way from that. Daffodil harvesting in Cornwall is labour-intensive, and we are heavily reliant on the seasonal worker pilot scheme and will be for a long time.

Importantly, there are two aspects to that. There is the length of the visa that the employee comes in with. Then there is the term of the scheme, which is currently on an annualised basis. In one of our businesses, when we would be starting to harvest in January, we had to wait until 24 December for a decision to come through on whether the pilot scheme would take place. We need a five-year rolling scheme as a minimum requirement. I know that Ali has a view on the length of the visa, which is currently for six months. Obviously, changing that to nine months would make coming to the UK more attractive to the person as they can earn more money before returning home. Equally, it could work across multiple sectors. For example, they could harvest daffodils in Cornwall and then work in the ornamental sector, or work in the ornamental sector and then in fruit.

It is critical for the industry that we have certainty around the scheme. Horticulture is a very complex industry, in each sector. If you visit an ornamental grower or an edibles grower, they are complex, with different nuances for each grower. We need good technical people, engineers and IT specialists. In some cases, businesses are highly invested and automated but we still need people. They are the lifeblood of what we do. Certainty around labour supply will be critical for the industry going forward, not just in ornamentals but in the wider horticultural community.

Ali Capper: This is often a very misunderstood subject, so I will give a bit of context. The whole of UK horticulture needs about 70,000 to 80,000 seasonal workers. The best data is from the NFU. I am afraid that Defra singularly failed to collect the data, despite a number of attempts. That is the requirement. Thank goodness we have a scheme. Let us be clear that we are delighted to have that. Without it, business would end. Why would it be business-ending? Again often not understood is the proportion of turnover that is labour cost. For an apple-growing business, 40% of everything we spend is on people. For a soft fruit business, 50% of everything spent is on people. For an asparagus grower—we are in season and I hope we have all had some British asparagus—it is 70%. If we do not have seasonal labour, it is straightforward: we do not have a business.

It is brilliant that we have a scheme and that it is recognised that we need special treatment as a sector. However, the decision-making around the scheme was too reactive and last minute. I have been at the blunt end of this, with a decision made on 23 December one year and 24 December another. Making decisions at Christmas is too late. Given our planning cycles, we need to know a year in advance, not a month in advance. That is really important. There are some other problems with the scheme at the moment because of its reactive nature, the war and Covid. Growers now have to recruit two or three times in a season to get through their six or nine-month season. That is partly due to the structure of the visa lasting only six months, but the reactive nature means that recruitment has been too late. Recruiting two or three times in a season costs money and drives low productivity, which is a business killer.

We need high productivity rates. We get those from seasonal workers who come back year after year. I am really proud that two or three people have been coming back to our farm for 25 years. They are part of our team. The only reason why they are not here all the time is because we cannot offer them work all the time. The work is seasonal by its nature. An apple grower needs workers in the winter for six to eight weeks to prune trees, and workers in the summer to thin apples so that we get the perfect size to meet specification. Then we need workers for eight, 10 or 12 weeks in the autumn to harvest the apples, but we cannot supply year-round work. That is the case across the sector.

We need permanence and certainty. A five-year rolling scheme would be perfect. The numbers need to increase a bit to take out the angst. It feels unnecessarily pressurised. We need to de-politicise it. It gets caught up in immigration politics. This has nothing to do with immigration. These people come in, do a job and go home again. They do a brilliant job. It is win-win. They go home having earned five to 10 times what they could earn in their home country. They educate their children or finish their own education. They start a business. What we get is fresh produce on shelf in time.

There is one other myth I want to bust. This is not low-paid work and it is not unskilled. You have all been invited to an orchard. If you would like to come in the autumn, I would like to see how many of you have dual manual dexterity. I need pickers who can pick with both hands, pick 10 or 15 apples a minute and grade them. You do not just pick anything in front of you. It is important to bust the myth. Our seasonal workers are paid a minimum of £10.42, the national living wage, and often earn £15 to £20 an hour when they are on piece-work rates. It is good pay. They have subsidised accommodation on the farm. They do not put pressure on public services. There are so many myths about seasonal labour. It should be seen as win-win, and we should be proud of giving people from other countries a leg up. That is what we are doing.

Q88 **Lord Carter of Coles:** To be clear, there is a bureaucratic issue of late processing that can be solved. That is straightforward. There is no argument about that. On quantity, how many more visas would be needed to, in your words, take out the angst?

Ali Capper: A pragmatic Government would say that if the sector needed 70,000 to 80,000 seasonal workers, we should make the scheme 70,000 workers. We all have to accept that the number of EU nationals coming to do this work has diminished, if not disappeared. I try every year to recruit local people. Most years, three or four locals will come and pick, but it is not realistic to expect people living in the UK, paying mortgages or rent and needing year-round work, to do this. Unemployment levels in rural areas tend to be much lower than in urban areas. Again, the nature of the work means that it comes and goes. It is very weather-dependent. We cannot pick apples in the rain because they bruise. If it rains for four or five days solid, we have to stand everybody down or our fruit will be out of specification and we cannot sell it.

Lord Carter of Coles: In the interests of time, could the witnesses write to us about the skills issue? I know we have to keep to the timetable but I am keen to hear about that.

Mike Norris: I have one point in support of Ali. I mentioned planning earlier. Accommodation for seasonal workers is important. We invested a lot of money in our farms in Cornwall in what I would call gold-standard accommodation. To have staff, we need to accommodate them, and ensure their welfare and that they are very well looked after. We need support in obtaining planning, particularly for the accommodation we need for seasonal workers on our farms and holdings.

Q89 **Baroness Willis of Summertown:** My question is about how climate change impacts the sector. We heard a little from Ali on this, but I would like to take it a little further. We know climate change is happening and people keep saying that we need climate-resilient crops. That is possibly easier when you are dealing with annuals, but presumably with apple trees you need to think five, 10 or 15 years down the line. Is there a sufficient knowledge base and support to enable people to move towards that climate-resilient crop approach in the horticulture sector?

Jack Ward: No, not really. A current, live example is that we are right in the middle of drilling season. We look after a lot of vining peas. With one of our biggest groups, we were due to start drilling on 21 March. By 19 April, they had not planted a pea. That is just one example of how things have gone. June and July last year was the prime time for planting brassicas in Lincolnshire for overwintering, and they were spending tens of thousands of pounds putting plants into 40 degree temperatures. There is no alternative or obvious solution to that. It greatly increases the risk for growers.

There is no reward or compensation for dealing with the weather. That is an added reason why people say, "Do you know what, I'm going to grow cereals or rent my land out—anything other than grow produce?" The risks from weather volatility have got that great. It is not necessarily just shortage of water. In 2019, Lincolnshire had six inches of rain overnight. We were flooded out. We do not even know what kind of weather we will get from one year to the next. Last year, it was all about whether we would have water for 2023. I said that we might be dealing with floods in 2023. The situation has become so uncertain that, short term, it is really challenging.

Baroness Willis of Summertown: We have a national pea collection. I do not know how well that is known. A large amount of scientific work is done on finding more resilient crops of peas. How much of that science ever arrives back in the horticulture sector?

Jack Ward: They are endlessly looking for new varieties. I suspect that most breeding activity goes into pest and disease resistance rather than resilience. That has not really been an issue. To be honest, particularly when growing peas, which are only in the ground for about 15 weeks, it is a straightforward battle against the weather, pests and disease. There is no time to do anything else.

Baroness Willis of Summertown: I was thinking particularly about the work done on peas by John Innes. This shows up a big gap in the transfer of the knowledge base, of any sort. Ali, what do you think?

Ali Capper: Plant breeding is critical. We actually have a hop-breeding programme in the UK, which I am proud to chair. We are introducing genetic markers. But these are few and far between. With most crop-breeding programmes we get our knowledge from abroad because we stopped investing in it in the UK, which is such a shame. But that is okay, because European growers are breeding hot apples. That is the latest thing. Lots of climate mitigation is happening in the science and breeding programmes.

There are other areas. We could talk endlessly about the weather. To reiterate what Jack said about the risks for growers, as an orchardist there is also frost. The growing season is starting earlier and pollinators are not always available when we need them, but frost is a massive issue. The latest frost that damaged our crop at home was on 9 May. There is quite a big window from when my trees come into flower. We definitely need more science in this area. The next issue is hail. In the hot temperatures in the summer, we lost a whole crop one year. That is the only bit of what I am about to mention that I can insure against. Thank God for the insurance. We lost our whole crop on 23 August one year. It can happen. Then there is wet. Jack talked about unrelenting rainfall. That kills trees, because they do not like wet feet. With heat, apples get sun-scorched just as we do. They get sunburn, which means they fall out of specification; they can go for juice, but there is no money in juice. That decreases turnover quite significantly.

The other thing with climate change is new pests and diseases that we do not experience at the moment. The sector is good at pest and disease research. It is grower-funded; we are all over it. Despite the demise of

AHDB, most crop associations have taken that back in-house, as we have at British Apples and Pears. I am really proud of what the sector has achieved with Horticulture Crop Protection Ltd. We maintain that service for the sector.

With some other areas of climate change we need clarity from government. I would like clarity on what fuel will go into tractors in future. Will it be hydrogen, electricity or something else? Again, the Government are leaving it to the market. The danger is that we end up with a hotchpotch and the wrong infrastructure. This is about infrastructure, where I think the Government have a leadership role. I already mentioned carbon counting. That is important, because most, although not all, British fruit and veg will have a lower carbon and water footprint than any we import. We, as a society, should encourage British-grown over imported. It is morally reprehensible that we offshore our environmental footprint. That is what we are doing.

Baroness Willis of Summertown: What would you see as a solution? Would you see carbon tax as a solution? Effectively, that is what you are suggesting.

Ali Capper: That is a really complicated question.

The Chair: It is too long for the committee.

Ali Capper: We might discuss it offline, but I would end up getting into trouble. Finally, there is the way that money comes down for applied science around climate mitigation. It is really good news that there is one place to go, which is Innovate UK, but in my answer to the next question, I will tell you what is not quite working.

Q90 **Baroness Jones of Whitchurch:** I too am on the environmental side of all this and I want to ask about peat. Perhaps you could kick off on this, Mike. There is to be a complete ban on peat use by 2030. The Government tried a voluntary scheme, going back to 2011, and I think even Defra was quoted as saying that some parts of the sector remained "reluctant to embrace peat-free growing". There has obviously been reluctance in some parts of the sector. On the other hand, we have received evidence from growers writing in to tell us proudly that they are already peat-free. In increasing parts of the retail sector, there is also a great move towards peat-free growing. What is the problem? Why has the complete ban been delayed? Can you shed some light on that?

Mike Norris: First, it is important to understand the complexity of the crops. I can comment on ornamentals. Certain areas of ornamentals are more advanced in peat-free production. In our own business, we produce a lot of peat-free products. Those are shorter-term crops that are perhaps better suited for some peat-free alternatives. The real challenge comes when we have small and medium growers producing very complex crops. You will all be aware of poinsettias. They are euphorbias, a very sensitive species; sometimes, if you look at them in the wrong way they keel over. They are sensitive to peat alternatives. Some members of the

West Sussex Growers' Association have not had sufficient time to research the sustainability of the available alternatives. They cannot be unpredictable; they must be stable. In essence, with those crops, the one thing peat gave growers was a stable platform to work from. Stability of resource is important.

There has certainly been a lot of research done on alternatives, but there needs to be further work on them, particularly in more complex and longer-term growing crops. We talk about bedding plants as short-term, going from seed to finished plants in maybe 12 weeks. It can take four years before ornamental trees are marketed, and they are in the same container. The structure of those composts is very different. We could also talk about some of the hardy nursery stock, or acid-loving ericaceous plants and the challenges around finding alternatives for those. It is about understanding the complexity of each product category. Ultimately, it will lead to us not being able to produce certain products. They will not be on the market because of their sensitivity to 100% of the alternatives.

Baroness Jones of Whitchurch: This is an innocent question, but what is so unique about peat that you cannot find an alternative?

Mike Norris: I suppose it is the consistency and stability; pH is another factor. For some West Sussex growers producing longer-term products, there is the propagation element—how plants are propagated. In essence, finding an alternative solution for propagation remains a challenge.

Jack Ward: Can I say a word about mushrooms? Volume-wise, they do not use a huge amount of peat, but it is hugely significant for them. In this country, we produce about 1,000 tonnes of mushrooms a week and import about 1,500 tonnes. Mushrooms are grown in a layer of about 5 centimetres of peat, which sits on top of the mushroom compost. The peat holds water and provides an inert layer that does not affect the development of the fungus as it comes up through the peat. The world has spent 40 years trying to find an alternative to that peat. It does not matter where you go in the world—the US, Canada, Australia, South Africa—everybody still uses peat.

There is no lack of appetite to find alternatives. A big project is running in Europe to find one, and another in Ireland. The issue for UK producers is that switching to a peat compound and introducing other materials significantly impacts yield. I suspect we will just hand our mushroom market across to imported mushrooms that continue to be grown in peat. That is a real issue. We are already down to about 12 mushroom growers in the UK. We do not want to lose any more. The market for mushrooms is actually growing.

Baroness Walmsley: What you just said leads to the question on outsourcing our environmental impact. Are there alternatives to media that have to be imported, such as coir? That means more carbon emissions somewhere else. I have had compost made of wool and bracken produced here. Is there potential in those materials as an alternative?

Mike Norris: Potentially, yes, but the issues are again volume, scale and sustainability. For example, the horticultural industry is a huge consumer of raw materials for the production of ornamental plants. We are talking about tens of thousands of cubic metres of products. It may be an option, but the scale and requirements involved in that will be the challenge.

Baroness Buscombe: Can you recycle peat, or does the growing of one lot of mushrooms extract all the nutrients?

Jack Ward: There are attempts to recycle compost. Ironically, one problem is that mushroom compost is categorised as waste and has a waste licence, so you are restricted in what you can use it for in recycling.

Baroness Buscombe: Would it be possible, if we prevailed on someone, to remove that need for a licence? Would that help?

Jack Ward: Yes, it would. There has been a lot of discussion about waste licensing for spent mushroom compost.

Q91 **Lord Curry of Kirkharle:** It is my task to pick up the research and science question. We have talked about this before. Why do productivity levels in Britain lag behind our competitors in the world? Is the application of science a big issue in the horticultural sector? Do you regret the AHDB decision to remove the levy?

Ali Capper: When productivity levels are measured for agriculture and horticulture, the figures I have seen from the USDA are purportedly about the sector and do not include horticulture. First, I challenge the figures. We have a highly innovative, highly invested and highly productive sector that gets the absolute most out of every hectare of land, glasshouse or soft fruit production under polytunnel.

The appetite for science and innovation to increase productivity is huge in our sector. I am proud to represent this sector, because every business I go into is all over their science, innovation and R&D tax credits. They understand how to take their business forward. If they cannot get the science done here, they steal it from other parts of the world. We are very joined up. I speak regularly to counterparts in New Zealand. We talk about things such as carbon footprinting tools. We talk to each other across countries and boundaries.

On how we increase productivity levels, as I said earlier, it is fantastic that we have one place to go to for applied science funding, which is Innovate UK, but it could be improved. There is an onerous application system. The assessment is focused on impact. Horticulture is a small land area sector, with just 2% of land area and 20% of farm-gate value. To a scientific assessor receiving an application for horticultural innovation, the level of impact will not seem great if your measurement is how many hectares it will go across. That is a problem for our sector. The Innovate UK system is designed for universities, with project managers, finance managers and lots of other people. It is great on the one hand but needs to be redesigned and much more agile and appropriate.

On AHDB, the sector was split—dare I say a bit like Brexit. I was not a supporter of the ballot being called. It is a shame that that happened. The sector was pretty much split down the middle. Soft fruit, top fruit and protected edibles voted to retain the statutory levy. Other parts of the sector voted for it to disappear. I think the best way to explain why is that they did not feel they were getting great value for money and there was perhaps a lack of agility at AHDB. We are where we are. I am disappointed that the Government chose not to retain the statutory instrument for the raising of a mandatory or statutory levy. That instrument could have been maintained. We could have raised the money from somewhere else. That was not to be, so we are now in a voluntary situation where we are calling it a subscription rather than a levy.

I am proud of the work the sector has done to create Horticulture Crop Protection Ltd, which will ensure that EAMUs and emergency applications for the sector continue. That is not just on chemicals but on biopesticides and biocontrols. Our sector is all about integrated pest management. That is how we think. We are good at using alternatives. For example, on our farm we put out mating disrupters to control the moths that damage the fruit; little discs sterilise the males, prevent the population increasing and therefore we do not need to spray. Lots of that sort of innovation is going on in the sector.

Going back to your question about productivity and what more is needed, I reflected on Professor Simon Pearson's report for Defra last year. Again, I want to bust some myths about automation and robotics. Our sector is investing like mad in this, but we must be realistic. Some of the science is hard. We are trying to replicate dual manual dexterity, eye/hand co-ordination, or light levels and weather conditions that change all the time, and it is really hard. Getting a robot to pick a crop outdoors is in the most difficult box, and much harder than a robot needed in a car factory. Professor Pearson said he saw a sector actively seeking to adopt new technologies, and robotics and automation was not the single solution. It was the opinion of the report that autonomous selective harvesting would happen but not until well after 2030. It is important that the Government continue to support the sector with the people and the hands needed to do these tasks. Without them, we do not have productivity.

Lord Curry of Kirkharle: It would be helpful if you could write to us about the bidding process and what needs to change in Innovate UK.

Ali Capper: I will write to you on that specific point.

Mike Norris: To add one short point, it is important on investment in automation that you remember that we are seasonal businesses. We are not like a factory that produces plastic or parts, or has a machine that runs 24 hours a day, seven days a week. We have a short window in which we have to produce, grow and dispatch our products. When we invest, the return on investment is in that short window. Support on capital investment would be important to our sector. That is critical for us to be able to invest. Again, I go back to the piece on certainty. It is all about long-term certainty. The renewable heat incentive is a good example of how we invested in biomass boilers. We invested in a one-megawatt boiler and that really helped us in mitigating the current energy crisis. A similar, appropriately geared scheme and support for it, as well as investment in automation and robotics, is important.

Q92 **Baroness Fookes:** How easy is it for growers to access government schemes to support industry? Are the existing schemes fit for purpose?

Jack Ward: I will touch on the producer organisation scheme, which is EU-inspired but reasonably well taken up in the UK. It is specific to horticulture and currently under review. That is a five-year scheme. You apply to it, get approved and then literally get a sum of money that you are free to invest in certain areas. Even the current areas would cover most of the issues we have discussed. The scheme is due to run out in 2025. We have been urging Defra since the referendum to bring forward a new scheme. With a few changes, that scheme could be used to address a lot of the issues we have discussed, from climate change mitigation through to R&D and capital investment. It would not be that difficult to do.

Baroness Fookes: But you are not getting an answer from Defra.

Jack Ward: No.

Ali Capper: We are not getting focus or resource.

Mike Norris: No, in simple terms. The £12 million farming investment fund listed 11 items suitable for funding. One was for apples. There was nothing for ornamentals.

Baroness Fookes: Why is Defra dragging its feet?

Mike Norris: All I can comment on is our experience. Traditionally, grants take too long. In some cases, there might be a time lag—for example, in getting planning. We have not had the opportunity to talk about water or investment in water capture, which is very important with current climate change. We need planning permission for that. By the time we got it, the grant scheme would have ceased.

Jack Ward: On the PO scheme, there is no real reason. I sent in a draft of how it could work so Defra did not have to do much. Even the national food strategy recommended an overhaul of the scheme. It is not that difficult to do.

The Chair: Lots of people would like to ask questions but unfortunately we have run out of time. Would it be possible to send you a couple of further questions? My own final question would be what you most want. Please add that to any further answer. Thank you very much indeed for an enlightening session.