HOUSE OF COMMONS

Environment, Food and Rural Affairs Committee

Oral evidence: Work of Defra: Health and Harmony, HC 870

Wednesday 2 May 2018

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Watch the meeting

Members present: Neil Parish (Chair); Alan Brown; John Grogan; Sandy Martin; Kerry McCarthy; Mrs Sheryll Murray; David Simpson; Angela Smith; Julian Sturdy.

Questions 290 - 366

Witnesses

I: George Eustice MP, Minister for Agriculture, Fisheries and Food, Department for Environment, Food and Rural Affairs; Guy Horsington, Deputy Director for Future Farming Policy and the Agriculture Bill, Department for the Environment, Food and Rural Affairs.

Examination of Witnesses

Witnesses: George Eustice MP and Guy Horsington.

Q290 **Chair:** Thank you very much. Guy, would you like to introduce yourself, please? Then we will carry on.

Guy Horsington: My name is Guy Horsington. I work in Defra on future farming policy and the upcoming agriculture Bill.

Q291 **Chair:** Thank you very much. The first question is to George. How confident are you that you will be able to convince the Treasury that payments for public goods should continue in the long term?

George Eustice: Very confident. First of all, it is predominantly about persuading Cabinet and Parliament of these things. As you will be aware, we have a manifesto commitment to maintain funding at the current level until 2022, and a manifesto commitment thereafter to roll out a new type of agriculture policy, focused on the delivery of public goods. Payment for public goods is something economists are comfortable with.

Q292 **Chair:** It is probably speculation. We can all speculate all day as to whether the Treasury is going to be generous in the future, but we will take that answer in the spirit in which it was made. The second question is this: how is the new system, based on public goods, going to be co-ordinated, and does a new oversight body need to be created?

George Eustice: At the moment, we have a team doing some work on what the new environmental land management scheme could look like, looking at some of the specific options. Beyond the overarching structure of a system of payment for delivery of public goods, we are looking at scheme design, whether it is rewarding farmers for taking part in quite holistic schemes, such as catchment-sensitive farming schemes, or whether it is rewarding farmers for specific interventions, such as buffer strips around fields, flower-rich field margins, those types of option, many of which we are quite familiar with. We have quite a good track record of developing those in the Pillar 2 schemes, over a number of decades.

Q293 **Chair:** You still see it being run by the Rural Payments Agency, Defra or whatever. You do not see it being run by NGOs. There are a few rumours out there that all the money is going to be passed over to NGOs, and they will go round with their clipboards and work out how it is going to be paid. Is that in the offing?

George Eustice: I would separate two things. First, if you want to deliver environmental benefits and improve water quality, it starts with how you manage your soils and soil husbandry. You cannot do that unless the farmer is in the lead and driving that work. The idea that you could just give money to the RSPB or something instead, and then it would get delivered, is a fallacy.

Q294 **Chair:** That is not going to happen, is it?

George Eustice: Fundamentally, the basis of this is that the landowner or the person in control of the land, the tenant perhaps, has to be responsible for delivering these schemes.

There is a second question, though. Could we have a bigger role for some of these other organisations? One idea that we have floated and are looking at is whether you could have, for instance, UKAS-accredited schemes, run by bodies such as the Rivers Trust. We have the LEAF scheme, which exists already. We have a track record with the Soil Association schemes, which we recognise and use as a basis for payment in some instances. You might even have local schemes run by the wildlife trusts, which farmers might be rewarded for participating in. There could be a role for some of those bodies to help in designing local schemes that deliver for local objectives.

Q295 **Chair:** Would those organisations then have the power to say whether the farmer or landowner receives the payment? It is quite an interesting place. It is one thing to have an assurance-type scheme to check what is happening; it is another as to whether they have the powers to say whether that payment is made. How do you see that happening?

George Eustice: This is an area that we are inviting views on. If I were to step back, I would say we are open to those sorts of ideas, but, to be honest, we would probably seek to develop those gradually, pilot them and try them first, because, as you say, if you are making payments from the public purse, you need to be clear that those payments are delivering something. You may not want, in one bound, to contract all of that out to UKAS-accredited schemes.

We already have a tried and tested mechanism for doing it, when it comes to organics. The Soil Association does the accreditation. It is a UKAS-accredited scheme. We have sufficient confidence in it that we recognise it and pay a supplement on their single farm payment.

Q296 **Angela Smith:** Can we go back to the key question, rather than getting dug into the detail, if you do not mind, Minister? We have had evidence to suggest that one way forward would be to have one body in charge of implementing policy on this and delivering on outcomes. Others suggest a more catchment-based approach, with oversight from the Environment Agency. All I am asking is whether you are open to considering options on these perspectives.

George Eustice: Yes, but I do not think they are mutually exclusive, for the following reason. We are very much open to it, as I was explaining. There is a lot of sense in having schemes that are quite tailored to a locality and an individual landscape, particularly to an individual water catchment, when it comes to certain options. Involving local partners and local expertise in the design of those schemes is absolutely something we should be considering. My point is, though, that in terms of administration of a scheme, and payments made under the scheme, you can still have that run by a particular government agency.

Q297 **Angela Smith:** Have conversations taken place with the Treasury on future funding?

George Eustice: We always have lots and lots of conversations with the Treasury?

Q298 **Angela Smith:** On this?

George Eustice: No, not yet, in terms of funding.

Q299 **Chair:** You have the agreement up until 2022, have you not?

George Eustice: Yes, and after 2022 each party in a general election will have manifesto commitments.

Q300 **Angela Smith:** I do not think farmers will be very impressed with that, but, anyway, let us move on.

George Eustice: If you are obsessed with the Treasury and the Treasury being persuaded—

Q301 **Angela Smith:** I am not obsessed. The Treasury has the purse strings, at the end of the day.

George Eustice: The Cabinet has the purse strings.

Q302 **Angela Smith:** I am amazed there have been no discussions with the Treasury.

George Eustice: Of course there are discussions. We are having discussions about the design, and Treasury officials are engaged in that. They are happy, as I said, with the system of payment for the delivery of public goods, as economists generally are. As for my point about the size of the budget, as you know, the Treasury works on spending review periods. The spending review period will expire around 2020; then there will be a new spending review after that. That is how the Treasury works. Getting them to start thinking about what might happen in a decade or so is challenging, at this stage. What we have to do, in my mind, is focus on the rollout of the new scheme. We have a manifesto commitment to keep the budget the same until 2022.

Q303 **Angela Smith:** The answer is that there has been no discussion, and no commitment to or planning for funding beyond 2022. We will just take that as the answer.

George Eustice: That is not what I said. To be clear, the manifesto commitment is that the funding stays the same until 2022. After 2022 a new scheme will be put in place, which will be funded.

Q304 **Angela Smith:** It will be funded, and funded at the present level.

George Eustice: No, we have not said that. It will be funded.

Q305 **Angela Smith:** But there is no commitment to fund it to the present level.

George Eustice: Not at the moment, but this is still five years away.

Q306 **Chair:** George makes a fair point. We have an arrangement for 2022. I suspect, in all our various party manifestos, there will be arguments as to what we might be putting forward.

Q307 **Angela Smith:** The general election is in 2022. Any Government will be coming in then. Farmers will expect arrangements on the second day in May 2022.

George Eustice: To be blunt, the common agricultural policy is not funded after 2021. If you go to Council at the moment, you will see people saying, "We still need the same amount of direct payments; member states must give us this money". It is not agreed that they will get that money. There is no funded CAP beyond the current scheme.

Q308 **Angela Smith:** That is not the point I was making. The point is that the Government will have responsibility for these payments at the time of the next general election. Any Government in power now would be expected by communities out there to have some planning in place for post general election 2022. It sounds to me as though no discussion has taken place.

George Eustice: The planning is taking place, and that is exactly what the Bill will be addressing: the design of the scheme for after 2022.

Q309 **Angela Smith:** But there is no commitment to maintaining the current level of funding.

George Eustice: We have not got to that point yet, but there may be by the time we get to the next election.

Chair: We are always going to have to justify our payments. The Treasury has great generosity, and I have challenged the Treasury many times, but we will have to be able to work out that we need that amount of money before the Treasury will commit anything.

Q310 **John Grogan:** In defence of the Treasury, the first thing to work out is what public goods farming is going to provide, and then how much that is likely to cost. If we could shave £1 billion off the £3 billion at the moment and get the public goods we want from agriculture, would that not be a good thing to do?

Chair: Now you are encouraging him down an interesting road.

John Grogan: What is magical about this £3 billion figure that we currently have?

George Eustice: We have lots of public goods we want to deliver.

Q311 **Chair:** Is £3 billion a reasonable figure?

George Eustice: Our party made that manifesto commitment for sound reasons.

Q312 **John Grogan:** That debate will now go on. Just to press you, if we are going to give this amount of money, whatever it is, for these public goods, assurance is absolutely crucial, is it not? Do you think we can do better? We have environmental schemes and all sorts of other schemes to do with biodiversity. Can we do better in the future than we have done under the European regime? There is some evidence that sometimes people do not get visits for many years, and so on. Can we do better?

George Eustice: Absolutely. The real prize in agriculture from leaving the EU is the opportunity to design something far more coherent. The system we have at the moment is hopelessly bureaucratic. We have to map everything in an obsessive way, measuring every bush, hedge and gateway across the land. There are the problems we have with IT, always caused by the dysfunctional nature of the EU rules we have to put in place. We have a great opportunity to design something that goes back to first principles and is about delivering. Locally, we can re-establish more of a case officer link between Natural England advisers and farmers, rather than having too much emphasis on form-filling.

Q313 **John Grogan:** Does that strengthen the case for an overall oversight body, given that farmers and other local bodies will have a key role in this? Does that strengthen the argument for an oversight body trying to bring this all together?

George Eustice: Notwithstanding the frustrations of the current Countryside Stewardship scheme, which I understand and which are real, generally speaking, if you talk to farmers who have dealt with Natural England in particular for a long time, they have a lot of respect for the local advisers who understand the local landscape and the local area. If you could rekindle something of a human link between those Natural England advisers and the farmers, and remove some of the frustrations—"Now you are going to be fined because your gateway got wet in the winter" and that type of thing—you could remove a lot of the tension from the system and achieve a great deal more.

Q314 **John Grogan:** As a final question, because I realise we are up against time, when do you think we are likely to hear the conclusions of how we are going to do assurance and for exactly what public goods? Will that be in the agriculture Bill? When should we look forward to that, without tying you down?

George Eustice: We have the consultation, which closes on 8 May, so it is still open. We have run numerous stakeholder events around the country, I think some 20, which Guy has been leading. We have had thousands of responses; I am not sure what the total is, but it is into the many thousands now. We will be digesting those over the course of the early part of the summer. We already have a team in the department that is thinking about the specific design of the environmental land management scheme. If I had to put some sort of loose timescale on it, as these things always have to be, I would anticipate that, in the autumn, we will be bringing forward the Bill.

Q315 **Chair:** Is that early autumn, late autumn, Christmas or new year, Minister? When is it?

George Eustice: At some point in the autumn, in due course.

Q316 **Mrs Murray:** George, you said earlier that you could see a government agency overseeing, but having more involvement with, the NGOs. Are you basically saying that you would still envisage a perhaps slimmer Rural Payments Agency?

Chair: A more effective one would be good.

Mrs Murray: I was going to come on to that. You then mentioned the mapping and that sort of thing. Clearly, there is an opportunity to have a slimmer system, a system more geared to UK farmers. That would not necessarily mean an over-bureaucratic Rural Payments Agency, would it? Could you expand on that a little?

George Eustice: The RPA is dealing with an immensely frustrating system at the moment. It gets a lot of flak, and I understand that. There are some good, talented people in there, and they would like to do things differently as well. It is not their choice to have the EU rules that we have. It is not their choice to get obsessed about how many trees are on a parcel of land and whether that is an ineligible feature. It is not their choice to obsess about whether a cabbage and a cauliflower are the same thing for the purposes of the three-crop rule, or to obsess about whether fallow land is fallow land for the EFA rule or fallow land for the three-crop rule, which have different definitions. These things are all part of the EU design. They, as I said, are hopelessly bureaucratic and very dysfunctional. We need to make clear that, as we design a new scheme, we are going to move away from that type of approach, and focus on outcomes and the delivery of outcomes.

Q317 **Julian Sturdy:** I suppose I should declare my interests. I just wondered whether the department has done any work on ensuring that the public goods payments scheme will work for tenant farmers. I say this because public money for public goods implies a long-term commitment given to the land holding, and we are seeing a lot of tenancies coming forward now that are three to five-year tenancies. I just wondered whether the department has looked at that at all.

Chair: That is a very good point.

George Eustice: It is a very good point, and it is something that we are considering. I would envisage that in our schemes we would have a scheme that I would call a universal scheme, which might involve options around taking part in catchment-sensitive farming schemes, slight changes to soil husbandry or maybe adopting min-till or low-till systems. There would be a range of options that even a farmer who is the custodian of the land for a short number of years would be able to qualify for. It is very important that we do that in order to ensure that we protect their business model.

You might then have a separate category of options that would require a longer-term commitment and might be more appropriate for somebody who is in long-term control of the land. We sort of have that case now, even with the ELS and HLS schemes. We had around 70% of farmers in the old ELS scheme, and those were typically running for about five years.

It is a very pertinent point that you make, and it is something that we are conscious of. The answer will be in the design of the new scheme. We need to make sure that there are universal options that a farmer can qualify for even if he commits just for a short number of years.

Q318 **Julian Sturdy:** You talked about low-till, min-till and protection of the soils, and I know the Secretary of State has talked a lot about soils and I entirely agree with him on this point. Do you feel for those smaller farmers or those tenant farmers that there is a high capital cost to convert to min-till or low-till, and that they would have to see a return over a period of time to get that money back? Is there a danger that some of those farmers will not be able to either secure the investment or commit to that, because they are on some short-term tenancies or even some of these contract farming arrangements that are quite popular now as well?

George Eustice: There could be a danger of that. The other thing that we are exploring is that it has not just got to be about, necessarily, incentive payments. We could also look at capital grant support for investment in particular machinery or infrastructure. For instance, I have always envisaged, in the West Country, where you have a particular challenge with slurry management and the impact of ammonia on air quality, support to help farmers invest in direct injection equipment. That might be something that would deliver a lot by way of public goods. You might even support smaller groups of farmers to come together in machinery-owning syndicates; they could share machinery, and support through grants could encourage them to be able to do that.

Q319 **Chair:** There is one part of this question that is really important. In order to pilot a new model of agriculture—and I know you are very keen to do so, with volatility insurance and all these types of things—you will have to cap the direct payments in a way to create a pot of money. When will you start capping? Speaking to the Secretary of State, it was not very clear as to which year you might start capping. Have you decided that yet?

George Eustice: No, we have not decided yet. It is something that we will discuss, and in the light of the consultation. One of the things we did in the consultation was to have a range of options of how you might wind down the legacy EU scheme while rolling out a new one, and a cap-and-migrate system, where you cap the larger recipients first and invite them to become early adopters of the new scheme is one of those options that we are considering. In principle, we could start with the capping from the 2020 year, even though that is in the transition period. If we wanted to, we could.

Q320 **Chair:** You can cap under present EU arrangements, can you not?

George Eustice: We could, and also a quirk of the way that the EU funding works in that final year of 2020 means that that will be Exchequer-funded rather than EU-funded, because they always borrow the money to pay BPS from the next year.

Q321 **Chair:** Whether one is keen to change to a new agriculture and environment policy or not, we could all accept that if we are going to change, it is better if we change over a period of time, to give people a chance to adapt. I think it is quite important to make a decision about what you are going to do to create this pot of money and when you are going to do it. The longer we have in a form of transitional period the better, really. Going back to the Treasury question, we cannot be certain how long that will last.

George Eustice: Yes, and our analysis is that even if, after a period of time, you gradually reduce that cap so that it got down as low as even £25,000, just short of 80% of farmers are actually unaffected, because the majority of small farms receive less than £25,000. You would, by having a cap at that level, create headroom in the budget by freeing up around 38% of the total budget to redeploy in other ways.

Q322 **Chair:** You are saying you could keep a payment of up to £25,000 and that would release nearly 40%, so you are talking about what—£1.25 billion or something like that?

George Eustice: The approach that we have outlined enables us to gradually roll out a new scheme and move progressive cohorts of farmers, year after year, to become early adopters of that scheme, while also probably freeing up additional funds that you would then be able to deploy to help farmers prepare for the future and to invest to become more productive, to come together in syndicates or in co-operatives or other collaborative ventures, so that they are ready for a new world in which we are rewarding them for what they do for public goods.

Q323 **Chair:** I have had this private discussion with you; I do not know how much you want to say today, but you are saying that if you cap the bigger farm payments then you would use quite a lot of that money to introduce these bigger farms, to start with, into the new world. Is that how you see it?

George Eustice: Exactly. We would not be running pilots in siloes after that capping. It is often misunderstood. The capping process we see as part of an organised transition. We have to recognise that if you are going to move from the system we have now, where there is quite a lot of dependency on the BPS payment—that single farm payment—you have to work out how you get from A to B. We can all agree that it is not a particularly coherent system that we have, and we can do much better, but equally we have to chart a course and have an orderly transition from the old legacy system to the one we want to get to.

Q324 **Alan Brown:** To go back to the withdrawal of direct payments, without going into the merits or otherwise of direct payments, the reality is that some farmers have said that the Government's proposals could potentially devastate some sectors. How do you justify that impact?

George Eustice: We are looking at the impacts on different sectors. We have Farm Business Survey data, and other such data, to try to assess how great the dependency is on the single farm payment. What is generally accepted is that in some sectors, particularly beef and sheep, particularly in upland areas or moorland areas on more disadvantaged farmland, and particularly, as well, if, in addition to those disadvantages, they are tenant farmers, there is more vulnerability there to disturbance of the existing direct payments system.

We have kept open in our consultation. We have said that we recognise that there could be some particularly vulnerable sectors, and that we are inviting views on how we should address that. It may be that you would have a slower pace of change, or recognise that they provide an important position for the social fabric in some of those areas, or it may be that you design your new system in a way that is sufficiently generous that they can have a business model.

The Uplands Alliance has been quite interesting on this. They came to see me and said that if we mean what we say—payment for public goods—then the uplands actually delivers a lot of public goods, and could deliver more, by way of flood mitigation, carbon sequestration and public access. There are lots of public goods that the uplands can offer and could be rewarded for, in a way that perhaps they are not now, because at the moment the moorland rate is lower than the lowland rate of subsidy. It is almost perverse and upside-down that the most disadvantaged areas, which are doing most for public goods at the moment, are getting a lower payment. Probably we could correct that in the design of the new system.

Q325 **Alan Brown:** Are you looking at the impact in the wider rural economy, because clearly what happens is that money goes to farmers, and it is clear that then filters out into the various trades and suppliers in the whole supply chain. Are you going to take account of that wider ripple effect?

George Eustice: Yes, that is something that we are considering, but it is a moot point. Farmers are the recipients of subsidy, for want of a better term.

Chair: Support.

George Eustice: Or support, if you want. They are the recipients but they are not the only beneficiaries, nor perhaps even the main beneficiaries. You can actually say that the single farm payment comes out in the wash through higher rents, higher input costs at times and, at certain parts of the cycle, particularly in areas such as dairy, it masks low food prices. It means that farmers are able, because they are subsidised, to keep producing food at an undervalue, when otherwise they would step back and food prices would be at a more sustainable and realistic level.

Q326 **Chair:** Lower and lower prices is good for consumers, though, is it not?

George Eustice: I think the right thing to do is to reward farmers from the public purse for the public goods they deliver, and to expect the market to pay a fair price for food, which reflects the cost of production, rather than tax the consumers, give a subsidy to farmers and then have food at an undervalue. We have to try to be clear about what we are trying to achieve with public money.

Q327 **Alan Brown:** You have a very clear view of where you want to go in terms of public good, and it seems to me that you are saying you should not have lower food prices via what you would call government support. That is potentially an issue for consumers. How does this then fit in the devolved settlement? Clearly you are mapping out a course that you want to see taken in England, effectively. How does that affect the devolved settlements for Scotland, Wales and Northern Ireland? In particular, Wales and Scotland have more upland farmland, which you have already said is more likely to be operating in the margins. How does the budget and whole policy of the UK Government affect the devolved settlement?

George Eustice: I think you will like what I am going to say, which is that agriculture is devolved. This will be a matter for the Scottish Government and for the Welsh Government. Scotland and Wales will need to bring through their own Agriculture Bills. They will also need to set out how they want to design future schemes. We set out what we intend to do for England. The paper also makes clear that there will be areas where we need some kind of UK framework, where you have things like fertiliser regulations and such things, but, broadly speaking, the design of the new schemes to replace the CAP will be a matter for the Scottish Government, and it will be for them to take account of those issues.

Q328 **Alan Brown:** An absolutely key thing is how you manage the budget in terms of aligning that with your policy. How is the budget going to be managed for the devolved settlements?

George Eustice: We have hours of fun talking about budgets on these issues, and sharing the cake between our family of nations. Of course we will have to have that discussion when we talk about how we allocate budget in the future. Michael Gove has already made clear that he thinks that at some point we should have a review of allocations. We are not at that point yet, but it is something that we are exploring.

I would also say that every part of the UK will probably want to do what we have suggested in England, which is an orderly transition over a period of a number of years. We have not put a time limit on it, but we have previously hinted at maybe five years as an indicative timeframe. Every part of the UK will want to have that gradual transition over a number of years, from the system we have now to the system they want to get to. The pace at which we might change or adjust allocation will need to reflect the fact that everybody wants to have a sensible transition as well and they need to be able to fund, in year 1, broadly speaking, a system that is very close to what we have now.

Q329 **Alan Brown:** George, you said that you do not see that farming support should keep consumer prices lower in shops. What if one of the devolved Governments think, "We are happy for our policy to support lower food prices in shops"? We are then going to have a differential in the UK. Would you be quite comfortable with that?

George Eustice: We are. There are a number of things. The first thing to say is at a UK level we will have to comply with our WTO commitments, which set ceilings for aggregate market support, so intervention prices and that sort of thing. I think it is understood that that would need to be a UK agreed framework, because we have an international obligation. That is the first thing I would say. We would all have to abide by those state aid and subsidy rules.

Q330 **Chair:** Scotland could still carry on with the basic farm payment if they chose to do so, could they not?

George Eustice: They could, yes.

Q331 **Chair:** It would not be against WTO rules.

George Eustice: No, that is right.

Q332 **Chair:** It would distort the market across the border, would it not? What are you going to do about that?

George Eustice: The Treasury will not like to hear this, but our feeling at the moment is that the £3 billion a year that we spend on farm support is still a relatively modest sum of money. It is modest enough that it probably does not create the sorts of distortions that people might anticipate, provided we abide by state aid rules and do not try to manipulate prices.

You have to bear in mind that the common agricultural policy at the moment has wide variances. Dutch farmers get three times as much subsidy per hectare as English farmers; Polish farmers get far less than any of us, so the idea that the CAP is some sort of level playing field—

Chair: I accept that.

Q333 **Angela Smith:** There was a lot of debate at the last session of this inquiry about the New Zealand model. Of course, New Zealand abandoned direct payments a significant period of time ago, and within five years 5% of farmers were out of business, bankrupt, and water and soil quality had degraded. There is a particular push for us to adopt the New Zealand model. Can we get you, Minister, to rule out the adoption of that model now?

Chair: I think you are going on to David's question, but just quickly answer.

George Eustice: The Secretary of State has made clear that, while there are some lessons we can learn from New Zealand—in particular, they did some work to help improve productivity, and there was some necessary structural change that contributed to the improvements in their farm structures and their profitability—there were environmental consequences of the way New Zealand went about this. They do have issues on water quality. It is not our intention to follow that. There are some things we can learn from New Zealand, but it is not a model that we are following.

Q334 **Julian Sturdy:** George, you mentioned about rents and the fact that you feel that sometimes the subsidy payments that farmers have been getting have been built into the price of rents. Has Defra done any work on where rents for lands might go in the future, with any future schemes? In the future schemes that you are looking at, have you modelled them against where land rents might go?

George Eustice: No, not yet, because we have not designed the future schemes to be able to do that.

Chair: They have not decided entirely, yet, to abandon all the support. That is why they do not want to do that work.

Q335 **Julian Sturdy:** Is that something Defra will look at?

George Eustice: We will consider it. Tenancy law and tenancy reform is another area that we are giving some consideration to. We have not yet decided whether we would include this in the Bill, at this point, but it is an area that we are exploring, because we do have rather anachronistic provisions in the Agricultural Holdings Act, and we also have some shortcomings in the FBT—farm business tenancy—Act. There is a case for looking at this area, but we have not yet decided. If we were to, it is at that point that we would probably consider the impact.

Q336 **Julian Sturdy:** Would that be looked at separately, or would that be as part of the Bill? Do you think it would be a separate piece of legislation or a separate piece of work in its own right?

George Eustice: We have not decided. If we wanted to put it in the Bill, we could put it in the Bill. We have already had some recommendations from the Tenancy Reform Industry Group. However, tenancy law, for reasons I have never quite understood, always frightens people. There will always be people who also say—

Chair: I think it involved a lot of lawyers, George.

George Eustice: We will think carefully about it, and maybe there should be a more detailed review and it should be considered at a later date. It is a genuine discussion we are having. We have not decided.

Q337 **David Simpson:** The Committee has heard that a rapid withdrawal of direct payments could negatively impact the environment. What steps will be taken to ensure this is not the case?

George Eustice: It is a fair comment, and that is why we do not intend to rapidly withdraw direct payments. It is why we intend to do it in a very orderly way, over a transition, so that the larger farmers affected by the cap would become early adopters of a new scheme, which would be all about payment for the delivery of environmental outcomes. We do not envisage that there would be a gap where you would lose people and they would fall between the stools.

If you, however, were to say, "We are going to withdraw the single farm payment", your criticism is absolutely pertinent, because you would lose all the things that are protected by cross-compliance: hedge-trimming provisions, field boundaries and all sorts of things that are not well protected through cross-compliance but are protected to a certain extent. You would require farmers to adopt perhaps a more aggressive approach to the management of their holding in order to secure a financial return.

David Simpson: You are going to address that.

George Eustice: We will address that through the orderly and gradual nature of the transition.

Chair: That links really neatly into the next question, which is one of my pet subjects, about food and food production. There is not much of it in the command paper, dare I say.

Angela Smith: You just asked the question, Chair.

Chair: I could not resist. I am sorry.

Q338 **Angela Smith:** Minister, why is there so little discussion of food production in the command paper?

George Eustice: It is in there. We mention food production.

Q339 **Chair:** Not very many times. The environment is mentioned hundreds of time; food is mentioned very little.

George Eustice: Yes. The central premise of this paper is that we should be clear about where it is right for Government and the public purse to intervene and reward farmers, and that is for the delivery of public goods—improved animal welfare, improved environmental outcomes and other such things. That is the focus of our design and we envisage that being the cornerstone of the future policy.

When it comes to food production, we are doing some work with the industrial strategy. The NFU is represented around the Food and Drink

Sector Council. We are doing a lot of other work in that space, on food, opening new markets and supporting innovation. We will have a successor to the agri-tech fund. We float the idea of R&D syndicates to help support R&D in food production, and in agriculture in particular. There is that sort of work.

Fundamentally, a public good is something that farmers are doing for which they are not rewarded currently in the marketplace, and therefore it is right for the public purse to make payments for those public goods. I would say that food, while a public good in the looser sense that none of us would live for very long without food, and quality food has a big impact on—

Q340 **Chair:** If you are hungry, you would think you would consider it a public good, would you not?

George Eustice: Of course, but in the narrow definition that it is intended, which is the economists' definition, food is something that should be rewarded for in the marketplace. People should pay a fair price for their food, and we should have a market in quality, nutritious food.

Q341 **Angela Smith:** Just on that, Minister, I take that very thorough answer, but there is the key question as to whether or not the Government's ambition is to not just sustain current levels of food production but to improve and increase them. Is that at the heart of your thinking on this issue of balancing the support that we give to public goods, which I totally support, and, on the other hand, making sure that the farming sector remains profitable and productive?

George Eustice: Yes. I have lost track of our manifestos now, but we have had a longstanding commitment in our manifesto to grow more and sell more great British food.

Q342 **Chair:** Why is it not in the command paper then?

George Eustice: That is being addressed through the industrial strategy. As I said, at the end of this we want to have a profitable, vibrant, successful agriculture sector and food-producing sector.

I would make one final point on the existing area-based payments: it is a fallacy to say that that is about supporting food production. Since we decoupled subsidy payments, it has not been about food production at all.

Q343 **Chair:** Indirectly it is, as you well know, Minister. Livestock farmers use that to keep their businesses going. This idea that it is divorced is very blurred, and you know that as Farming Minister.

George Eustice: There are also examples of farmers who are coasting, not really farming—

Chair: Yes, there are. I accept all that.

George Eustice: And hobby farmers who have a job doing something else and do not really farm the land.

Q344 **Chair:** There are still a lot farmers that use it to support their business.

George Eustice: Yes, exactly, and we are addressing that in the design of the new scheme. What I am saying is it is not right to say that the existing scheme is about food production. It is not, really. In fact, since decoupling, it has been explicitly not about food production.

Q345 **Angela Smith:** I think it would be helpful, Chair, to have some written evidence, perhaps, in terms of the input that the department is making into the industrial strategy. Clearly, innovation and all of that is key to all of this.

I just have one more question. Standards are at the heart of all of this—environmental standards and animal welfare standards. There is no mention of food standards anywhere, not just in the command paper but in any of the papers I have had from Government. There is a real suspicion out there. This is something that is critical to the outcome of all the Brexit negotiations and the future of the agriculture sector. Who is responsible, and when is the public debate and the parliamentary decision going to take place about what food standards are going to look like post Brexit?

George Eustice: In the first instance, through the EU (Withdrawal) Bill, all the existing EU legislation that affects food standards, including things such as hormones in beef, that ban, and chlorine-washed chicken, comes into our domestic legislation.

Q346 **Angela Smith:** Chlorinated chicken is not food standards; that is different. I am talking about food safety and food standards. Chlorinated chicken is an animal welfare standard.

George Eustice: All food safety legislation will also come across. Every existing piece of EU legislation will come into our domestic law. We have been clear that we are not going to water down or weaken our standards.

Q347 **Angela Smith:** The Food Standards Agency will have to have fresh guidance, and there is still the possibility that there will be some adjustment, once the withdrawal Bill takes effect, to those standards. The Food Standards Agency will be looking for some direction from the Government, so when is Parliament going to be made aware of what the department's thinking is on food standards, or is the Secretary of State going to keep it to himself?

George Eustice: I think I can give the direction now to the Food Standards Agency, which is that, on day 1 after we leave the EU, the legal position will be exactly the same as our final day in the EU.

Q348 **Angela Smith:** What will it look like in the long term? I am not interested in the day after withdrawal.

George Eustice: If, in the long term, Parliament decides to pass legislation to change things, that will be for Parliament to debate that at the time.

Q349 **Angela Smith:** That would come from the department. What is the thinking from the department on the future of food standards regulation post Brexit?

George Eustice: We want the highest standards of food standards. We want high standards of food safety.

Angela Smith: That is just a statement.

Mrs Murray: Can you confirm that we will not see lesser food standards?

George Eustice: Yes.

Q350 **Angela Smith:** Sorry; I did not get an answer to the question. I am really sorry; I object to that, Chair.

Chair: Time is going on. I think George has answered your question inasmuch as the standards will remain the same and then it will be a decision for us to change them when we leave the EU. That is what you said, is it not?

Q351 **Angela Smith:** There is significant concern out there, and I know there is significant concern from the professionals in the field about how food standards are going to be managed in terms of the future, post Brexit, and I do not think that the Minister has responded to that.

Chair: Very quickly, George.

George Eustice: I am unaware. If the FSA feel that they do not understand the legal position on the day after leaving the EU, and that is a position they make clear, I am more than happy to talk to them.

Angela Smith: I did not say the Food Standards Agency. I said that there is significant concern.

Q352 **Sandy Martin:** Is there not a danger, Mr Eustice, if we have food production resting with the industrial strategy and all the direct payments going for public goods, that we might end up with industrial production of food without any reference to the environment? We would then have public good as an add-on—for instance, looking at my part of the world, an aggressive creation of the cheapest possible grain, with lots of lovely hedges around the outside but undrinkable drinking water because there are too many nitrates in the water. Separating out the food production and the protection of the environment seems to me to be a very odd way of going about things.

George Eustice: Just to reassure you, we are not doing that. In fact, explicitly in the design of the environmental land management scheme—it is a very good point you have made—we do not see it as being, "Well, there is all this aggressive, no-holds-barred agricultural production here, and then we are going to plant a few flower seeds to help the bees over here". That is not our approach. We want to support and incentivise a different approach to farm husbandry, in particular soil husbandry but also livestock husbandry. It is not about saying that there is farming and there is the environment, and they are in a perpetual antagonism to one other; it is about saying that we want to support a different approach to farm husbandry that delivers for the environment but also delivers highly profitable farm businesses and nutritious food.

Q353 **Sandy Martin:** You are going to have to do some really in-depth and objective studies on what you mean by "public good".

George Eustice: No, the definition of "public good" is very clear. We will need to give a lot of attention to the design of those schemes, and we have 20 years of experience and lots of evaluation work that has been done of previous schemes, such as the ELS scheme and the wildlife enhancement scheme from the 1980s, the ESA scheme of the 1990s, and everything else in between. We have a long track record of these types of schemes. We know what certain things deliver, and we will obviously be looking closely at that data as we design the new scheme.

Q354 **Chair:** George, I have one final question on this. You know how excited I get about all this, because there is not enough food in the command paper. I was in the Blackdown Hills, looking not at farms but at a planning application. I was looking out over those hills and they are absolutely beautiful, but they are entirely a managed landscape; it is entirely a farm landscape, with the hills, with the trees, with the fields and with the grass. You need all of those components, and you need it grazed. If we do not take food production and livestock production into consideration in a command paper, we will not get that beautiful landscape. They are linked, you see.

I am sorry to keep on about it, but I just do not think the command paper seems to get the fact that in many parts of the country there are areas that are absolutely beautiful, but they are there largely because they are farmed. That is the bit I do not get with this. I buy into the environment, but I do not think you buy into the fact that the farming community, and the sheep, cattle and dairy production, especially on permanent pasture, is part of our environment. Why does it not say that in the command paper?

George Eustice: There is an annex to the command paper, which describes some of the options that we have now in the Countryside Stewardship scheme, to give a flavour of the type of thing you could be doing. To come back to my point, there are options, for instance, to have a particular type of grass lay, with nitrogen-fixing flowering crops that mean you can reduce fertiliser applications, give the soil a break, improve soil structure and aeration, improve water quality and lock in carbon.

Q355 **Chair:** That would be on an area-type payment, would it?

George Eustice: Absolutely. There are options, for instance, that actually pay supplements to farmers who have rare breeds of cattle grazing on their land such as that. There are options such as that. There are options such as sheep-grazing on more marginal land, to keep bracken down so that you can have the development of invertebrates and to support farmland birds. You have multiple such interventions that are not about being an alternative to farming; they are about the way we farm.

Chair: That is very interesting. If you can supply us something in writing, that would be really useful.

Q356 **Angela Smith:** I totally accept the point that the Minister has just made, but I just have a strategic question. Do you accept that there is a risk that if you get this scheme wrong we could see a number of small farm holdings going bankrupt and the emergence of much larger farm operations, and that that could have an impact on landscape?

George Eustice: That is not our intention in designing, but you are right.

Angela Smith: It is a risk.

George Eustice: You premised it with, "If you get it wrong". Yes, if you get things wrong there are consequences to getting it wrong. That is why we are consulting, that is why we are going to design very carefully this scheme, and it is why we are going to roll it out very gradually. We are not going to do anything sudden that would have the kind of unintended consequences you have talked about.

I would say something else. We have to recognise that where we want to get to in the future is somewhere where we can also create opportunities for new entrants coming into the industry. We do have a problem at the moment, in some parts of the country, where the nature of the tenancy law that we have and the nature of the farm support regime we have means that a lot of farmers well into their seventies and eighties end up trapped on the land, not really farming it productively; they probably should retire. If we can design a scheme that means we have a new cohort and a new generation of farmers coming through, that is not necessarily a bad thing. It will not necessarily be all of the same people farming today in 10 or 20 years' time, but we do still want those opportunities for smaller farmers and new entrants to come in.

Chair: Can we leave that one there? Kerry is next. I think we have dealt with yours, Julian, on the timing of the Agriculture Bill, because I think it is going to be some time in the late autumn, I suspect, or Christmas or January; it is surprising how autumn goes on.

Q357 **Kerry McCarthy:** I have a big topic, trade deals, but I am going to try to keep it very succinct and down to two questions. You have said and Michael Gove has said that the Defra position is that there will not be any lowering of standards in any trade deals, and you have made that clear again today. Your colleagues do not necessarily think the same, and there is certainly pressure from other countries that we are looking to do trade deals with, in terms of the sorts of things that the US said at the

Oxford Farming Conference, for example, and Australia and New Zealand. How are you going to get your way in terms of these trade deals?

Some of the lobby groups have said that you actually need an overarching principle, perhaps a clause that you insist is inserted into all trade deals, rather than these things being negotiated on a piecemeal basis, with food standards and animal welfare standards bartered away depending on how important the other party to the treaty is.

George Eustice: In some cases, to do a particular trade deal—let us take hormone beef—Parliament would have to actively repeal, through legislation, the existing ban on that. There would be a very direct debate and a role that Parliament would have to have before any such trade deal could be done; otherwise, the trade deal would be unlawful. There are cases such as that.

Q358 **Kerry McCarthy:** But there are things like antibiotics use; routine use of antibiotics is too high in this country but is five times higher in the US. There is nothing in law on that front.

George Eustice: I often say this, but it is the same with the negotiations we are having with the EU on Brexit at the moment. As a country we have to get better at being not spooked by what other countries are asking for. Of course, Australia, New Zealand and the US will ask for things that they want. All that matters is what we are willing to grant them. In my view, when it comes to trade deals, it would be quite possible to put together a trade agreement with, say, the US, where you would allow beef to come in if it met our standards. There is a growing trend in the US for organic beef in particular, but also for what they call natural beef. There is a consumer backlash to hormone-fed beef in the US as well. The US consumer is starting to get closer to where we in the UK are, with a greater interest in food quality and food provenance.

Q359 **Chair:** We can expect more beef from the US, then, can we?

George Eustice: If the trade deal went in that direction. My point is that it is possible to say we will do a trade deal but for a particular type of beef that meets our standards.

Q360 **Kerry McCarthy:** Does Liam Fox agree with you? I was in Washington when he was last year, when the whole chlorinated chicken thing came up, and he certainly seemed to be very relaxed about what came in from the US. It is partly about what the consumer wants, but it is also about undercutting our farmers as well.

George Eustice: Liam Fox recognised that the real opportunities to do trade deals are in some of the new areas, such as digital, where we are seeing phenomenal growth, and in services. I have known Liam for a very long time, and he is a tough negotiator. I do not detect, in all of my discussions with Liam Fox—

Q361 **Kerry McCarthy:** He has not said what you have said or what the Secretary of State has said: that there will be no lowering of standards on the food and environment front. Can you get him to stand up at the despatch box and say categorically—

George Eustice: I am not sure I can get Liam to do things.

Kerry McCarthy: That is what we need him to do.

Q362 **Chair:** We also do not want Liam to negotiate away, do we, with Lower standards in terms of chlorinated chicken, a lower standard of welfare, for a trade deal with services and other things in the United States? That is the issue. We want to have a trade deal with the United States, but not on their terms, basically.

George Eustice: We deliberately took a decision, after the referendum vote, to design our approach to trade negotiations in a particular way, and it is this: we have adopted, broadly, a model that is similar to the US, in terms of the machinery of government structure. Defra will lead on agri-food negotiations, so all elements around sanitary and phytosanitary issues will be for Defra to lead on. DIT will deal with all other sectors and will have an overview of the whole deal. It is because food and agriculture is so complicated and so difficult—it is the reason why most trade deals fall apart in the end—that Defra will lead on the agri-food issues, and that is why it is probably not surprising that I am saying more about agri-food, because that is the limit of my responsibility, whereas Liam Fox, to be fair, has a very broad responsibility on trade.

Q363 **Kerry McCarthy:** You need to work on him to get him to say that.

George Eustice: We work together very closely.

Kerry McCarthy: I have one last thing, which is a direct quote from the command paper. It says, "We will adopt a trade approach which promotes industry, innovation and lower prices for consumers". It is the lower prices that concern me. Food prices are pretty low in this country, and you said earlier, when you were talking about the dairy sector—

Chair: You were saying you wanted higher prices.

Kerry McCarthy: You were saying that people ought to pay more and pay market price.

Chair: Which do you want, Minister?

Q364 **Kerry McCarthy:** Trade deals where the objective seems to be "lower prices for consumers"—why is that in there?

George Eustice: Government do not believe that it is the role of Government to dictate prices. Whether they should be high or low, the market should decide.

Q365 **Chair:** Why is that in the command paper, then?

George Eustice: The point is made, from memory, in a context. Over time, once we have a new system that makes more sense, I think we could have more profitable, more productive and more effective agriculture. In some sectors, that may lead to—

Chair: Also if we have a better retail sector that took less money out of the system, you could have a better price for farmers.

Q366 **Kerry McCarthy:** A trade approach that promotes lower prices suggests that it is imports that are coming in or competition that is forced on farmers here to push down prices, which is not going to do anything to support farmers' livelihoods.

George Eustice: Not necessarily. The other thing is that it could be in areas where we cannot produce things. Take citrus as an example: you might be able to do a trade deal where we can get cheaper citrus from other parts of the world, rather than relying on European citrus. There will be lots and lots of products and things that we do not produce at the moment, where currently there is a tariff wall of the EU that maybe keeps some of those prices higher, and where we would be free to do trade deals to buy in some of those products from other third countries at a price that is lower than the EU currently allows, so there will be instances such as that.

Chair: George, you have been extremely generous with your time. We started at 9.30 and you are now here at 12.07, so we cannot say that you have not given us a lot of time. We have had a very interesting morning, both with Christine and yourself, but also with you talking about a future agricultural policy. You have been quite open with us in terms of where you see it going. It has made it clearer for me in terms of where the command paper is going and where we might get to in the end. I thank you for that. We will haul you back in again as soon as possible.

Guy, you have obviously been keeping an eye on the Minister. He has obviously performed okay so you have not had to intervene very much, if at all. Thank you for attending, and thank you, George, again. You have been generous with your time and I think it has been a very useful session. We will keep naturally questioning you and scrutinising you on where it is all going. Thank you very much.