

# Environment, Food and Rural Affairs Committee

## Oral evidence: Scrutiny of the Agriculture Bill, HC 1591

Wednesday 31 October 2018

Ordered by the House of Commons to be published on 31 October 2018.

Watch the meeting

Members present: Neil Parish (Chair); Alan Brown; John Grogan; Dr Caroline Johnson; Kerry McCarthy; David Simpson; Angela Smith.

Questions 272-381

### Witnesses

[I](#): Rt Hon Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs, and George Eustice MP, Minister for Agriculture, Fisheries and Food, Department for Environment, Food and Rural Affairs.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]



## Examination of witnesses

Witnesses: Rt Hon Michael Gove MP and George Eustice MP.

**Chair:** Welcome, Secretary of State and Minister of State. It is a great pleasure to have you both here this morning. We are starting very promptly at 9.31 am, so thank you very much. If it is all right with you, we will go straight into questions. Are you happy with that?

**Michael Gove:** Of course, absolutely.

Q272 **Chair:** The Bill represents a major transfer of powers from the EU to the Government, largely bypassing Parliament in many respects. There are also extensive powers for the Secretary of State in it, but—dare I say it—not many duties. Could you explain exactly why you are taking that approach?

**Michael Gove:** Yes. The first thing to say is that, as you quite rightly point out, we are taking powers away from the European Union. One of the things about the common agricultural policy is that many of the decisions that have governed British agriculture over the course of the last 40 years have been taken at a level where we may have been able to exert influence, but ultimately Parliament has had to accept whatever the Executive concluded when it was negotiating in the EU Council or anywhere else.

As well as there being a transfer of powers from the European Union back to the UK Government and particularly to the devolved Administrations, Parliament will have a greater degree of scrutiny as a result of passing the Bill and any consequent secondary legislation. One of the arguments that has sometimes been made during the passage of Brexit-related legislation is that Parliament feels that it should have more of a say. That is a perfectly understandable point of view, but Parliament will have more of a say than it had when we were in the European Union. I think that point is sometimes overlooked. People make comparisons with a perfect model of parliamentary accountability, as they might see it, but decline to note that for many years, while we have been in the European Union, there have been aspects not just of agriculture but of huge swathes of policy area where Ministers, and indeed Parliament, have had to meekly accept what was decided elsewhere.

Q273 **Chair:** Many parts of the Bill say that the Government or the Secretary of State “may”, rather than “shall” or “will”. Why does it not take a more definite approach? Dare I say it, Secretary of State, you have allowed yourself a great deal of flexibility. As a naturally suspicious person, I just wonder why. George, would you like to come in?

**George Eustice:** This was discussed at length yesterday during the Committee stage of the Bill. The idea that we should have “the Secretary of State must” instead of “the Secretary of State may” is a misreading of how Bills have traditionally been drafted in this country. The Agriculture



## HOUSE OF COMMONS

Act 1947 is riddled with the phrase “Ministers may”. It even says that Ministers may bring in measures to do X, Y or Z where they consider it “expedient” to do so. The 1947 Bill was drafted very much in a framework way, just as the current Bill is. It is also the case that as recently as 2006, the NERC Act had powers to make payments and the term “the Secretary of State may” was what was used. The correct way to go about these things is to establish powers for the Government to be able to do things. How you then exercise those powers and commit yourself to do that becomes a matter for manifestos, for Budgets and for argument in the House of Commons.

As the Secretary of State says, we will have way, way more parliamentary engagement in the development of these schemes than we do now. At the moment, the best that Parliament can expect is an explanatory memorandum informing them—if they have the will to read it—what latest things the European Commission have decided to do.

**Q274 Chair:** So you are giving the assurance that we are going to come up with a much smarter, better stewardship scheme, where we can include trees and we do not have to work out whether they are saplings or trees. You have promised that and I think we can make real progress there. Are you promising us that we will be able to look at that? You won’t just present us with a scheme and say, “There you are. Like it or lump it, basically.”

**George Eustice:** We are going to be developing schemes and pilots in the next couple of years. Once we get into that, I am absolutely certainly that this Committee will want either me or the Secretary of State, or whoever else might be in our place at that time, to come and give an account of what they are doing and why.

**Q275 Chair:** Going back to you, Secretary of State, the interesting thing is that it will now be totally different from the last 40 years or so under the common agricultural policy; rightly or wrongly there was a payment that carried on and it could be changed, but it took a long time to change and had to be agreed by 27 countries. It was very cumbersome, but its only benefit was that it did roll on. The issue now is that there are enough powers in this Bill to be able to cut everything off at the knees, if a Secretary of State chose to do so. How much can you make it bullet-proof for future Secretaries of State and future Governments? Probably the answer is that you can’t. To what degree can we bind future Governments in this Bill?

**Michael Gove:** All Governments are subject of course to democratic accountability and to the capacity of the House of Commons to vote supply and scrutinise any schemes that they bring forward. The interesting question about the common agricultural policy is that it is in the process of review at the moment. Commissioner Hogan is looking at what the future might be. We cannot guarantee—no one can guarantee—what decisions the European Union might take about the future shape of the common agricultural policy. One thing that this Parliament can do is to ensure that Ministers—not just in Defra, but also in the Treasury—continue to support the countryside and food production in an appropriate fashion.



## HOUSE OF COMMONS

Q276 **Chair:** I suspect we will pass the Bill and I will talk to you about that a little later on, but I will quickly throw this in here. How amenable are you going to be to amending the Bill?

**Michael Gove:** We will look at all amendments on their merits. We recognise that there are a number of points of concern and areas where people want to make changes. For example, I think it is the case—I will of course defer to George, who has been taking the Bill through Committee—that Colin Clark and Chris Davies have tabled an amendment on the red meat levy, on which I think it is our intention to look favourably.

Q277 **Chair:** Then, on placing a little bit more emphasis on production including the production of good quality food—would you be amenable to anything along those lines?

**Michael Gove:** Yes. Again, Philip Dunne has talked about ways in which we can find language in order to provide reassurance on that front. Of course, one of the things we would want to look at, as with all amendments, is making sure that it does what it says on the tin and provides the appropriate reassurance or clarification.

Q278 **Chair:** One of the points I have always made—I know I am repeating myself—is that there is a really big link, especially in grassland areas, between the sheep, cattle and cows that graze the hillsides and pastureland, and the creation of the great environment we have. If we do not have enough of them, we will not be able to keep that landscape like it is. I don't know whether you share my concerns on that.

**Michael Gove:** I absolutely share your analysis. Thanks to your generosity and the work I have done in this job and beforehand, I have a deep appreciation of the vital importance of ensuring that working farmers, not least in the uplands, are provided with the support they need in order not just to generate the food that we enjoy but to ensure that the public goods they produce are adequately rewarded.

Q279 **Chair:** But they are very much linked. Do you see that?

**Michael Gove:** I absolutely appreciate the link. It is the case that 70% of this country is farmed. Some of our most beautiful and iconic landscapes and most important habitats depend on the active work of farmers, whose principal aim is to secure a fair price in the market for the food they produce.

**George Eustice:** Yesterday we also discussed approaches such as pasture-based livestock systems, where you actively support raising livestock. As you said, that can have a positive impact on animal welfare, public health and the farmed environment. Those are exactly the sorts of schemes that we have under consideration.

Q280 **Angela Smith:** I am surprised by the analogy made with the NERC Act. I was on the Committee for that legislation; it was an enabling Bill, but it was nothing like this Bill in the sense that the NERC Bill brought together different Government agencies. It did not extend the powers available to the Secretary of State and Henry VIII powers in the way that this Bill



## HOUSE OF COMMONS

does, so I do not think that is a correct parallel to draw.

**George Eustice:** Allow me to clarify. That was a specific reference; the section of the Bill that created the power to make payments used the term “The Secretary of State may”.

Q281 **Angela Smith:** That is one part of the Bill to make powers, but the overall Bill did not have the extent of the enabling powers that this Bill has.

**George Eustice:** That is right, because the overall Bill was not about payments. This Bill is predominantly about payment schemes that must be funded. The traditional way that has been drafted through all our domestic Bills going back decades is—

Q282 **Angela Smith:** All right, let’s go back to NERC. I remember the debate we had about the definition of animal sentience in the Bill. We are nowhere near having a definition of animal sentience as it stands now. The level of detail in the NERC Act was much greater than what is in this Bill. Do you accept that this Bill extends significant powers to the Secretary of State in a way that is a departure from the usual pattern of legislation making in the UK Parliament?

**George Eustice:** I think it is consistent with what we do when it comes to powers to pay, where that term is predominantly used. As I said, it is similar to the term used in the 1947 Act. The NERC Act was very different.

**Angela Smith:** Very different.

**George Eustice:** That is because it had very different purposes—much narrower purposes in some ways. It was about agencies and the rest of it. This Bill achieves something different. Where it relates to payments, the wiring is the same.

Q283 **Angela Smith:** You said earlier, George, that the powers in the Bill will be subject to budgets—that is interesting—and manifestos. That seems to suggest that the electorate will potentially be offered options about what the payment system may look like at the next general election. Is that true? Is that how you see it?

**George Eustice:** Yes. We have already set out in our paper the approach that we are taking to environmental land management contracts; we have outlined that we will start those pilots now. As a Government we have outlined a very clear approach of how we intend to move forward an environmental land management scheme. Obviously, if the Labour party or others at a general election had a different view about how that should be constructed, it would be open to them to outline that in their manifesto and seek a mandate.

**Angela Smith:** How do you think the NFU and other concerned bodies may react to that, given that all they are asking for is certainty? It is all up in the air—we are going to throw it to the electorate at the next election. That is not very satisfactory for all those farmers out there who are wondering whether they will get any money post-2022.



## HOUSE OF COMMONS

**Michael Gove:** At the moment, if we were still in the European Union, there would be doubt about whether they would receive money after 2020, because we have no clarity about what the common agricultural policy will be.

Q284 **Angela Smith:** Can we just refer to the point about a 2022 general election? Is that satisfactory?

**Michael Gove:** Is it satisfactory that European farmers do not know what they will have after 2020?

Q285 **Angela Smith:** Yes, but they know they will get the CAP if they are still in the European Union.

**Michael Gove:** But they do not know what the CAP is going to be.

Q286 **Angela Smith:** That is a nonsensical argument.

**Michael Gove:** It is not a nonsensical argument. It is an inconvenient argument for the line of argument that you want to run, Angela, but it is not nonsensical. There is another point. You say that this Bill is a constitutional novelty, but that is absolutely not the case. When Tony Blair introduced legislation to fund academies, he gave the Secretary of State for Education at the time the power to enter to an arrangement with any person the Secretary of State thought fit for the provision of state education. That was a significant power—one that you voted for.

Q287 **Angela Smith:** Within very clearly defined parameters.

**Michael Gove:** There are clearly defined parameters in the Bill. The powers given to the Secretary of State for Education at that time were significantly greater and more flexible than the powers given to the Secretary of State here, and you were happy to vote for that legislation.

Q288 **Angela Smith:** I wasn't in Parliament at the time Tony Blair introduced the Academies Act.

I go back to the point that the common agricultural policy has evolved over many years. This is a significant departure. It is the biggest change in agricultural practice in 70 years—or at least 40 years. Both of you are saying that it is going to be thrown to the electorate at the next election.

**Michael Gove:** No. The other thing is that, as George pointed out, the approach we are taking is the one that was taken by the Attlee Government when it introduced the Agriculture Act in 1947.

Q289 **Angela Smith:** But it is not 1947, Secretary of State. It is 2018. It is slightly different now.

**Michael Gove:** It is indeed, but your argument is that this is a constitutional novelty. As George pointed out, it is entirely consistent—

Q290 **Angela Smith:** No, my argument now is—

**Michael Gove:** So you have changed your argument.

Q291 **Angela Smith:** No, I was asking you about certainty for farmers.



## HOUSE OF COMMONS

**Michael Gove:** The other thing is, Angela, can you give certainty to anyone over public expenditure? Who knows what Jeremy Corbyn might want to do to our defence budget were he to be elected? That is one of the things about democracy.

Q292 **Angela Smith:** Secretary of State, I am not here to talk about defence.

**Michael Gove:** But your argument is that—

**George Eustice:** Democracy is bad.

**Michael Gove:** Yes, essentially—George puts it better than I do.

**George Eustice:** At the moment, the only certainty farmers have in the EU is that they will get what they are given by the EU. That is the only certainty. With the restoration of self-government in this area for the first time for half a century, what they have is the certainty that elected parties responding to their needs, their lobbying and the views of the electorate, will be able to deliver.

**Angela Smith:** I remember the consultations engaged in in 2014 in relation to pillar 1, pillar 2, the shape of the CAP scheme then and the reforms to the CAP scheme, so I don't think that is a fair comment.

**Chair:** Angela, I want to get on if I can.

Q293 **Angela Smith:** Finally, the other point you made was that there will be arguments in the House of Commons, but there won't, will there? There will only potentially be statutory instruments. That is not really satisfactory, is it? In implementing the powers in the Bill, the only scrutiny enjoyed by the Commons will be in SI Committees. The phrase "arguments in the House of Commons" suggests big debates on the Floor of the House, but that is not going to happen, is it?

**Michael Gove:** It is certainly open to the House to decide that any aspect of this can be debated at any time and in any way. That is a democratic principle.

Q294 **Angela Smith:** That is for debate. In terms of agreeing the delegated legislation that will flow from this, that will not be on the Floor of the House. It will generally be in Committees, and we know about all the shortcomings of that system.

**Michael Gove:** Two things. It will be open to the House to have delegated legislation debated on the Floor of the House. I have seen that happen in the past. The other thing is that the powers that the House will have will be greater than those it currently has inside the European Union, as the Minister of State pointed out. As I know from my experience on the European Scrutiny Committee, we are presented with *fait accompli*—take it or leave it—on the basis of decisions that have been taken by qualified majority voting in the Council of Ministers.

Q295 **Chair:** You are also not able to amend statutory instruments. They are unamendable. That is a problem we have got with it. A lot of this stuff



## HOUSE OF COMMONS

will be produced to us as a fait accompli. I suppose, technically speaking, you could vote them down, but you are unlikely to in reality.

**Michael Gove:** Well, you could vote them down, of course, but you can't with European Union law, so there is undoubtedly a democratic gain.

Q296 **Chair:** I don't want to carry on the argument about this, because we have a lot to get through. Just one final point on my question. I talked about "shall" and "may", and "may" is not binding. Are there any sections where a future Government should be bound by the Bill? Should we put "should" in? I know you have given yourself maximum flexibility, but are there not parts of it—stewardship schemes and long-term management of land—where we should be a bit clearer and say, "We should do it," or, "We shall do it"?

**Michael Gove:** You could say, for example, that the Government must pay into a given scheme, but what if a future Government were to say, "We will pay, but we will pay only £1"?

Q297 **Chair:** Don't you believe that with stewardship schemes—we will probably talk about long-term management more in a minute—there has to be some sort of contractual arrangement where the Government is bound, which makes that more difficult? You are not going to build up your soil quality, hold water on your land and do all that environmental management, such as plant trees, in five minutes, are you? Five or 10 years in farming is short term; I know it is long term in politics, but it is short term in farming and land management matters. Do you not see the necessity of that?

**Michael Gove:** You make a very good point about contracts. Many of the environmental land management schemes we conceive of will be contracts entered into, so of course if they were abrogated, there would be legal remedies for those who had signed those contracts.

There is another point. The Agriculture Bill is important but it is not the only piece of legislation or the only document that will bind Government. The 25-year environment plan sets out a proposition whereby there will be targets and metrics to which Government will be held to account. The environment Bill, when we bring it in, will also have other—I hesitate to say fetters, but protections in some of the areas that you quite rightly mention.

**Chair:** Okay. I just wonder whether there should not be a little bit more protection in the Agriculture Bill.

Q298 **Kerry McCarthy:** My question is about trade deals. You have said repeatedly, and I accept your assurances, that there will be no lowering of British standards post-Brexit. Can you give the same assurance that we will not sign up to any trade deals that would allow produce into this country that is produced to lower standards than we allow?

**Michael Gove:** Yes.

Q299 **Kerry McCarthy:** Has the International Trade Secretary said the same?



**Michael Gove:** Yes, he has.

Q300 **Kerry McCarthy:** Does that apply to standards that we would currently apply by virtue of our membership of the EU?

**Michael Gove:** Yes.

Q301 **Kerry McCarthy:** Right, okay. That is the first time I have heard that, I think. The suggestion seems to be no lowering of British standards. There would be concern about hormone-pumped beef, chlorinated chicken and that sort of thing. So none of that. What about GM?

**Michael Gove:** There is an interesting question there. At the moment, there are strong protections on genetic modification. However, one of the interesting questions I find is that the recent European Court judgment saying that gene editing counts as a form of GM has been challenged by a number of scientific voices in this country.

At the moment, I have an open mind about what gene editing might be able to provide in the future. I will be explicit about that area. We have no intention of changing the rules that govern what we understand by existing GM products.

Q302 **Kerry McCarthy:** To go back to the first point. I accept that the GM thing is changing science, so that there might be a moveable feast in that respect, but anything that is currently banned from import into the UK would not be allowed in under trade deals. How will that work? You could get into a trade deal situation and there is a fear arising from the fact that we have had the US Commerce Secretary, people in Australia and New Zealand all basically saying that they are not going to accept this; they are going to argue for a change in the British approach. How is that going to work when people actually get into negotiations? It won't be you, will it? It will be the Department for International Trade.

**Michael Gove:** Any trade deal would have to be agreed not just by the Cabinet but by Parliament. The commitment that I have underlined today is one that the International Trade Secretary and indeed the Cabinet have agreed.

Q303 **Kerry McCarthy:** But we tried, when the Trade Bill was going through, to ask for greater parliamentary scrutiny of trade deals. There was a row about whether the Bill did not cover future trade deals—that was what some were trying to say—so we could not discuss how we look at them. What is your view on how scrutiny of trade deals should work in Parliament? There is a suggestion there should be a Committee with rapporteurs appointed to each trade agreement. I think that is how it works in the European Parliament. Would that be an approach?

**Michael Gove:** I would not want to trespass too much on the International Trade Secretary's and the Treasury's view on these matters, but I think you have got to have effective parliamentary scrutiny, yes absolutely. George, do you want to add anything?



**George Eustice:** That is a matter for the DIT, but I know they have already made clear, for instance, that any treaty comes back and has to be presented to the House—not ratified—and the House has the power to actually veto any treaty under our existing arrangements in the Constitutional Reform and Governance Act. There are some provisions there, but it is an area that I know the Department for International Trade are looking at.

The other thing I would say on this particular point is that GM trade obviously already comes into the EU. It is the case already that something like 70% of all animal feeds are GM. The EU has very tough restrictions on the cultivation of GM crops, but it is open to trading in GM products. It is less of an issue when it comes to trade because it was already accepted by the EU anyway.

The other thing is that if you look at the trade deals we have tried to do with the US—we are trying to get access for British beef to the US—they have made requests that we adopt their particular methodology for testing for E. coli. We do not agree that it is better, but if that is what they request, that is what we would be willing to accept. They have asked that we adopt the way that they score and check whether animals are lame when they arrive at an abattoir. We have a slightly different methodology in this country, but again, if that is a requirement that they want to place on suppliers supplying the US with beef, we would be willing to do that. The general principle in trade deals is that you respect the customs and rules of the country where you seek to do business.

Q304 **Kerry McCarthy:** But in terms of leverage, it is financial services being traded off against beef and that potentially means that something has to be bargained away a bit. That is a concern.

When the Secretary of State gave evidence before and when we were talking about having chlorinated chicken and so on, you said that it was not a food safety issue—it was perfectly safe—but it was an animal welfare issue. I have seen figures from a number of organisations that say that, whereas in Britain one in 66 people per year, in one figure, or one in 70 per year in another, succumb to food poisoning, in the States it is one in six. Why do you think that is, if there is not a food safety problem with their food production?

**Michael Gove:** I was not aware of that statistic.

**Kerry McCarthy:** I think *Which?* came up with the one in 66 and the one in six figures. I think Sustain came up with the other figure.

**Michael Gove:** Without wanting to push back against those statistics, the one thing I would want to do—and will do—is to look at them to see what the identified food sources of food poisoning in the United States might be and whether it is, for example, from chicken or other sources, just in order to understand it.

My understanding was that the reason why you had washing in chlorine or in other chemicals was that there was a risk as a result of having chickens



kept, in essence, in circumstances where their welfare was compromised. They were kept in circumstances where the amount of space that each individual bird had was less than we would allow in the United Kingdom. That increased the risk of infection, and that increased risk of infection was then dealt with through chlorine washing. It starts out as an animal welfare issue but, of course, it has human health implications. Chlorine washing resolves the question of food safety for anyone consuming the chicken, but it obviously does not tackle the problem at source.

**Q305 Kerry McCarthy:** If the food poisoning rates are as high as I have been told, it sounds like it might not solve it.

**Michael Gove:** It definitely merits investigation, absolutely.

**George Eustice:** There are very different cultures. We have what is termed a farm to fork approach, where you try to minimise disease and infection at every stage of the production, from the farm, where you try to limit stocking densities and try to have good husbandry—and support that through regulation—right through to the abattoir. The US approach is much more to turn a blind eye to what might happen on a farm, and then treat it when it gets to the abattoir. It is a different culture. They do not have a culture of putting animal welfare in a particularly prominent position either, when it comes to their production systems.

**Q306 Kerry McCarthy:** My final question. If I put forward an amendment in the Bill Committee—yet another amendment; I feel very sorry for the Minister, as he has had to put up with an awful lot of me in the last few sittings.

**George Eustice:** I am grateful that you withdrew some of them.

**Kerry McCarthy:** We are given very good responses, actually. If I were to table an amendment to the Bill that sought to ensure that any food production standards imposed domestically would apply equally to imports, would you be happy to endorse that?

**George Eustice:** Our view is that is out of the scope of the Agriculture Bill. It is a legitimate argument to have in the context of the Trade Bill. I know those arguments are going on as we speak, in the other place. Indeed, amendments have been put down to the current Trade Bill along those lines. It is an issue around trade and the types of trade negotiations that we do, rather than the types of domestic support schemes we might have for British agriculture.

**Q307 Kerry McCarthy:** It is also a real issue of concern for farmers. It is not just about standards. It is about prices and a race to the bottom. A lot of farmers are concerned that all the protection and subsidies—they are very much linked—that we give to British farmers would be meaningless if they can be undercut by lower quality cheap imports, where corners are cut in the way you have described. I think it is relevant to the Bill.

**George Eustice:** We do understand—it is an incredibly important issue for farmers, but nevertheless we think it outside the scope of the Bill,

which is about what types of schemes we put in place to replace the common agricultural policy.

**Kerry McCarthy:** We'll have that argument in the Bill Committee.

Q308 **Chair:** Secretary of State, Minister, when Sonny Perdue came here from the United States as Secretary of State for Agriculture, he spoke about nothing but getting access to our market for their chicken. Virtually every time we had a conversation he turned it back to that, so this issue is really real in any future trade deal with America. You say that food standards should not be in the Agriculture Bill, yet you want to create higher food and welfare standards here. We support that, but you have to protect us against imports. I do not see what harm it would do to include that in the Agriculture Bill. At least when a trade deal comes along and we debate it in the House of Commons, we can say that the Bill refers to maintaining those standards when we import food. Why are you both so adamant that such a measure cannot go in the Agriculture Bill?

**George Eustice:** On poultry, bear in mind that we import at the moment around three-quarters of a million tonnes of poultry from Thailand every year, and we put requirements on that. We have veterinary requirements that need to fit our standards. My argument would be that if Thailand can get its act together and put itself in an adequate position to supply the UK market, why could not the US?

Q309 **Chair:** You are not answering my question. What harm would it do to put that measure in the Bill? I would also like an answer from the Secretary of State on this: why are you so adamant that this measure cannot go in the Bill, when the whole *raison d'être* of British agriculture in future is to have higher welfare standards and high environmental standards? We all very much welcome that, but if you are going to do that, there must be some protection, and I see no protection. We could not get it in the Trade Bill, and now you say that it cannot go in the Agriculture Bill. We could then debate it on the Floor of the House, but how long will we have, and how much will we be able to alter a whole trade deal on that one aspect? We need some armour. I am not saying that that armour would protect us totally, but it would help—that is the point. Secretary of State, where are you on this one?

**Michael Gove:** As the Minister of State pointed out, this issue is not within the scope of a Bill that is intended to deal with future payments and fairness within the supply chain here. The sentiments that you have expressed are ones that we both absolutely share, as does the whole Cabinet. When I talked to Sonny Perdue, he was at pains to make the point—this follows on from a point that Kerry made—that America understands an animal welfare case. This is not a reflection on the Government or anyone here, but from their point of view, the assertion that their chicken is not safe to eat is one they find difficult to accept. Part of it is *amour propre*, or, as George pointed out, a proper appreciation of the different approaches that those countries take. Should Kerry, or anyone else, wish to table an amendment, we will consider it, but we fear that it might be outside the scope of this legislation.



**Q310 Chair:** Finally, not only on animal welfare but on food safety and antibiotics, you have a case where, I believe, we have been very successful in reducing our amount of antibiotics. Whether or not they are correct, there are figures that suggest that the Americans use up to four or five times as many antibiotics in their production of chicken. Is that not another good reason why we do not particularly need that type of production? George, you spelled out that they basically take many more risks through their production of chicken. They are more intensive and then they whack it with chlorine at the end to make sure it is safe to eat. I don't think any of us can argue for a moment that it is not safe to eat. It is just that we want to reduce antibiotics in feedstuffs and in the rearing of our livestock and poultry so we have greater immunity in the human population, do we not? This would just be totally the wrong direction to go in. That is why we are so keen to get this in the Bill.

**George Eustice:** On antibiotics, you are right. The poultry industry in the UK have made substantial steps forward—something like a 60% reduction in the use of antibiotics over the last four years. They have done that by making changes and adaptations to husbandry and looking more closely at policies around thinning, for instance. It is an area where we have a huge amount of expertise. It is a very innovative sector in the UK, and they have done well.

**Q311 Chair:** They have done well because they have a certain amount of protection at the moment. The trouble is that they will not be able to do as well if they suddenly have to accept a lot of imports that reduce prices.

**Michael Gove:** One of the things that the chief medical officer and others are doing is seeking on the international stage to secure commitments to reduce prophylactic antibiotic use as part of—as you rightly point out—the need to deal with the challenge of antimicrobial resistance. Whether or not we were going to allow products into the UK market, we would want to change behaviour in other countries as well. Sally Davies has been doing great work on that, and we completely support that initiative.

**Q312 Alan Brown:** George, you mentioned that we currently impose standards on Thailand for chicken that is exported to the UK. Are those not imposed by the EU as part of the EU trade deal, rather than by the UK?

**George Eustice:** Some of it will be, but it is complex. Because trade is an EU competence, the EU owns some of this space, but in addition to that there are national rules and agreements. On a national level, when it comes to market access, a lot of it is country-to-country. We are directly leading on our market access work, for instance, to the US, Japan and others, and there will be elements of that agreement that would be directly between the British veterinary authorities and Thailand.

**Q313 Alan Brown:** Okay. I would still argue that the EU, as a large trading bloc, carries much more weight when negotiating these trade deals. Is it not the case that if there is not a deal with the EU, so the EU trade deals do not roll over and we revert to WTO rules, those rules will immediately preclude the banning of hormone-injected beef and chlorinated chicken because those are deemed safe to eat? It is an animal welfare issue, and



## HOUSE OF COMMONS

WTO rules will not preclude those products coming on to the market.

**George Eustice:** No. To take specific things such as hormones in beef and chlorine-washed chicken, those are coming across through the EU withdrawal Act as an SI, so they will become UK law. Irrespective of whatever someone might say at a trade deal, there would be a ban on the sale of them in the UK, because that would become retained EU law that is put on a UK legal basis. The other thing is that we have done a lot of work to make sure that trade deals with third countries like Thailand are rolled over. This is UK-to-those countries. We have done a lot to ensure that, as far as possible, particularly on the most important ones, we are able to roll those forward.

Q314 **Alan Brown:** All the talk is that if there is no deal with the EU, we will just trade on WTO rules. Surely, therefore, if there is no deal, given our current trading arrangements with the United States, that will put the UK back at square one and mean it has to negotiate a trade deal with the United States, because there is no roll-over.

**George Eustice:** Yes, but there are equivalency agreements on things like organics. We have been doing a lot of work as part of our preparation for leaving the EU to bring those across and agree bilaterally with these countries that those would continue between the UK and those third countries. That has been an element of our planning for leaving the EU under a deal or no deal that has been going on for at least a year.

Q315 **Alan Brown:** So these equivalency agreements will carry on? The United States will say, "That's fine—we won't look to get chlorinated chicken exported to the UK"? They will just happily go along?

**George Eustice:** In most cases, yes, because they benefit from those equivalency agreements as well. If they were to scrap those agreements, it would actually create obstacles in areas where they want to do trade with the UK. There has been quite a lot of work done. We are not there on all of them. Some of them have their own parliamentary procedures that they feel they have to go through, but a great deal of—

Q316 **Alan Brown:** So the UK is taking back control but relying on the roll-over of the equivalency agreements that are in place and things just carrying on the same?

**George Eustice:** As I said, we have done a lot of work to ensure that those third-country deals are rolled over. If you look at the poultry deal with Thailand, most of that poultry comes to the UK because it is a legacy of UK investments in Thailand. Hilldown Holdings, which is a huge food conglomerate, had a very large investment in Thailand in the 1980s. It is a legacy of that arrangement, and most of it comes here.

**Alan Brown:** Okay, thanks. So nothing will change, but everything will change.

Q317 **Dr Johnson:** Just to look at the trade issue from a slightly different angle, we have the prospect of the EU rulebook. As you have said, Secretary of State, one of the attractions now is that instead of the rules being set by



## HOUSE OF COMMONS

a Council of Ministers, with qualified majority voting in which we are only one state, they could be set by the UK—but is that really true? If we had a rulebook in which the EU decided, “Now you can’t use glyphosate, or you must only feed cows these feeds,” or whatever, could we, for example, use glyphosate on crops that were for domestic or rest-of-world consumption, or feed our cattle whatever we want, even if it is not in the rulebook, for domestic or rest-of-world consumption?

**Michael Gove:** The common rulebook would only govern those rules necessary for checks at the border, to ensure that we complied with the rules the EU has for its internal market and ensure frictionless trade. Were the EU to introduce a change such as that you mention, we would have the choice as a country whether to accept or reject it. If we chose to reject it, that would introduce additional friction at the border and that would mean that we would have to consider whether we wanted to go down that route. If, for the sake of argument, the EU decided to ban glyphosate and we wanted to continue to authorise its use here, it would mean that the EU could introduce appropriate checks at the border should it wish to. But that would be a decision for Parliament to take about whether it required compliance with those EU rules in order to continue to have frictionless access, or chose not to apply those EU rules and accept the consequent friction.

Q318 **Dr Johnson:** What level of consequent friction could that be? Would it be, “Some farmers are using glyphosate, so we won’t accept anybody’s crops,” or, “We won’t accept those crops that were grown in fields on which this was used”?

**Michael Gove:** It would be for the EU to decide what restrictions it might want to place. It is theoretically possible, although it would be for the EU to decide, that it might say, “UK farmers secure a competitive advantage by the use of glyphosate that EU farmers do not have. Therefore, we would potentially wish to place these checks and restrictions at the border.” Or potentially—although I think this would be a significant departure from what is conceived—they could use a tariff as a way of redressing the balance. One of the things the EU would also want to bear in mind is that at the moment, as we know, it exports more to us than we export to it. Therefore, if it was thinking about any regulatory or other changes, it would also be thinking about what the impact of friction at the border might be on its capacity to export to our market as well. You are absolutely right to pinpoint the fact that, were the EU to change its rules and were we not to keep in step with it because Parliament had decided not to, there would be frictions—but the EU would also know that, were those frictions to apply, there would be potential costs for its producers as well.

Q319 **Dr Johnson:** Moving on, in the Agriculture Bill there are a whole load of things that you might provide financial assistance for, defined as public goods, but it does not explain which public goods might receive more money. At the introduction of this Committee, the Chairman said he wanted to consider what practical implications this Bill will have for the British farming sector, but is it possible for us, reading this Bill, to



## HOUSE OF COMMONS

establish that, given that we know that people will be paid for public goods, but not how much, in what proportion or which goods will be worth more than others?

**Michael Gove:** That is a fair point. You cannot know—we cannot know—with absolute certainty at this stage, but one of the things we propose to do, as George mentioned earlier, is to pilot and bring forward schemes in collaboration with the sector to ensure there is a proper understanding of what the Government can provide through public money to support farm businesses. Of course, as everyone here recognises, the principal business of farmers is food production. One of the other parts of this Bill is making sure that people get a fair price in the market, by making sure that we have appropriate transparency in the supply chain as well. But you are right that we give the Secretary of State—me or any successor—the power to allocate funds for particular areas. We have said that we believe that environmental land management should get the lion's share of those funds. So far that has been the view, with some qualifications, of organisations like the NFU, the CLA and others, but more detail will be provided.

Q320 **Dr Johnson:** When will more detail be provided? My husband is a farmer—I should declare that. I represent a large rural constituency. When I am asked to vote for this Bill my constituents will quite reasonably ask me “Is this Bill in the interests of the people of Sleaford and North Hykeham? Is this Bill in the interests of the farmers that work there?” How can I answer that question if I have no idea what they are going to be asked to do for the money? It may be that some of these 10 or so issues actually get tiny fractions of money. A suspicious person might say, because of the way it is drafted, everybody might think that they are going to get some money and it is going to be good for them, and it is only after the Bill has gone through and you have the power that we will actually find out how it is going to be shared out.

**Michael Gove:** It is during the passage of the Bill that we will be saying more about how the schemes might operate, and the principles which we propose to deploy, but I quite understand why there is a desire for certainty and why there is a desire for people to have an opportunity to change, if necessary, their business model, which is why we have given a guarantee on a transition period, which means that actually there will be, starting from 2021, a long period of transition, which allows people to make any necessary adjustment that they feel is appropriate.

To return to the earlier point, we know that the common agricultural policy itself is changing and that Commissioner Hogan has been consulting on how it might change; so there is a parallel degree of uncertainty if you happen to be an Italian or a French farmer about what level of support you might get in the future and what you would need to do in order to secure it.

Q321 **Dr Johnson:** Okay. The other thing you have talked a lot about is quality—our farmers produce high quality food—and how we could add value to those foods. I can see how that works in the fruit and veg sector



and the meat sector, but my constituency is full of cereal farmers. How do you add value? You can't sell it at a farm shop. It is thousands of tonnes-worth of what is a bulk commodity.

**Michael Gove:** I think it is the case that cereal farmers operate on the basis of world commodity prices, and we have—not least in Lincolnshire—some of the most productive, successful and efficient farms operating on an international market. So you are right to say that, while there is an increasing demand for high quality food, and an increasing demand for knowledge about how food is produced, which growers, livestock farmers, dairy farmers and others can take advantage of, there are some other sectors where that is less the issue. But we are in a position where we are competitive and one of the things that we want to do is to make sure that we invest in the technology necessary to ensure that we can be even more productive in the future. I will hand over to George, because he may want to say more.

**George Eustice:** It will vary. Clause 1(2) gives quite wide powers to support productivity. That can be investing in new equipment, or in research and development, or in some sectors it could mean investing in things that might add value—the dairy farm that maybe wants to convert into making cheese, for instance. So it is quite a wide-ranging power, and its purpose is really to support the advancement of farm profitability in a range of different ways. It will vary from sector to sector.

The arable sector would, with the schemes we have got under consideration, benefit from quite a lot of the environmental land management schemes, because if we had options around flower-rich field margins, or grass leys as a break from arable crops as an option, or no-till or minimum-till systems, and integrated pest management schemes—there are a range of things that we are looking at around farm husbandry that would be very applicable to the arable sector, and which they would be able to benefit from.

Q322 **Dr Johnson:** I can see how each and every different type of farmer and land manager in the UK can read the Bill and see how there could be something in it for them if the Secretary of State chose to use their powers in a way that was beneficial to them. Equally, there could be nothing in it for them, and it could be much worse for them if the Secretary of State chose to use his powers in another way. At the moment we have no guidance on how that will be balanced. When will we get guidance on what these schemes are going to be and on how proportional they will be?

**George Eustice:** We set out a policy paper alongside the Bill that gave some indications and talked about an environmental land management contract that you would have with the farm. We have also talked about a departure from the current income forgone basis for pricing options, looking at something that is more market oriented and more along natural capital principles. The principle is that you might reward farmers more for the things that they do for the environment. The other thing you should bear in mind is that until a few years ago we had around 70% of farmers



## HOUSE OF COMMONS

in an ELS type of scheme—the entry level scheme—so the vast majority of farmers are used to doing some things of this nature. That was designed in a way that was accessible to lots of farmers. While the new scheme will be better targeted and is intended to deliver more, we envisage it will be accessible for a wide range of farmers.

**Chair:** Caroline, can we leave it there? It was a good question, but I am conscious of the time and we are not making much progress. John, do you want a supplementary? Then we must move on.

Q323 **John Grogan:** Yes, just quickly—I think pilots are the way to go. The public will obviously be putting in public money for public goods and so on. Have you thought about the regulation that will be needed? Will more resources be needed, without making it over-burdensome? What are the implications? We have a very different system now of checking that public money is being delivered by the farmers who get the money.

**Michael Gove:** One of the things that we are looking at at the moment is how farm inspection can be reformed. Dame Glenys Stacey is looking at precisely that in order to make sure that we have a more robust but also less bureaucratic system of inspection. But you are right: there will need to be scrutiny. One of the problems at the moment is that, as George has outlined on a number of occasions, the current cross-compliance system, designed to secure beneficial outcomes, is a needlessly bureaucratic system. Some of the requirements when it comes to mapping, for example, and some of the requirements that we impose because of the fear of the Commission imposing disallowance payments on us, are more about checking processes than guaranteeing outcomes. You are absolutely right that piloting can give us an opportunity to develop a more outcome-based approach towards rewarding people for what they do.

Q324 **John Grogan:** I was encouraged by what you said about upland farmers. There is a danger that, with the move over to the public goods system, some farmers would argue that it is the bigger farmers and landowners that will do better. If the system is too burdensome in terms of regulations, they will get a greater slice of the cake than they get now, and that is to be guarded against.

**Michael Gove:** Yes, you are absolutely right. It is the case that, as we discussed on Second Reading, the current BPS system doesn't provide the support and reward that many smaller and upland farmers could legitimately expect to receive once we have changed to a money for public goods system. We are very conscious of the environmental and other benefits that upland farmers provide and conscious of making sure they are properly rewarded.

Q325 **John Grogan:** A final question from me. I am slightly more sympathetic than some members of the Committee to the promises that you made in terms of finance going forward. I don't think they are unreasonable. In an earlier report the Committee voted unanimously and decided that we would like to ring-fence the money that is currently going not just for farming—the phrase we use is “rural economy and the environment”. Is it



## HOUSE OF COMMONS

possible that we can achieve these public goods for less than the £3 billion that we have at the moment? Obviously, that would free up money for other things. Is that possible?

**Michael Gove:** It is possible, but it is not desirable. We get exceptional value for money from our farmers and those involved in the rural economy, considering what we provide. There are other ways of making sure that we can get money from the private sector—water companies, for example—into the rural economy, but I think the Committee’s broad point is a fair one. I’d want to make sure that we got the maximum amount of money and support, properly targeted, into farming and into the rural economy more broadly.

**Chair:** Thank you. I want to try five minutes per question now and we will see how we go. David, over to you.

Q326 **David Simpson:** Thank you, Chair. Why haven’t food production and security of supply been given more prominence in the Bill? Secondly, should the Bill contain some provision for the list of public goods to be reviewed and amended in the future?

**Michael Gove:** This has been very much one of the topics of debate in the Committee, so I will defer to George.

**George Eustice:** The first thing I would say is that I do not really agree that it does not have enough about food production. I know that that has been a constant line, but the long title of the Bill starts by talking about making payments for agriculture. Clause 1 is undoubtedly predominantly about the cornerstone of the new policy of payment for environmental goods.

However, every other clause in every other section is about food production, including about improving transparency in the supply chain, powers to introduce mandatory contracts, intervention powers to stabilise agricultural markets and so on. There are a very wide range of powers that are explicitly about supporting farmers—

Q327 **Chair:** But why does an Agriculture Bill have that in clause 1? Why don’t you actually start with all the things about agriculture in clause 1 and have all the things about the environment further down? We are bound to be suspicious if clause 1 says very little about agriculture.

**Michael Gove:** I am tempted to say that “Hamlet” is all about Hamlet, but that he is not there in the first scene. The bulk of it is about agriculture.

Q328 **Chair:** But it still needs to be turned upside town.

**George Eustice:** That is only the case if you believe that agriculture and the environment are things that we should divorce from one another. We actually see them as being a much more holistic thing—two sides of the same coin.

Q329 **David Simpson:** Absolutely. It is the view of not only myself or, hopefully, Committee members but of the National Farmers Union and



## HOUSE OF COMMONS

the Ulster Farmers Union—we all say the same thing—that there is not enough emphasis on food production. There are cynics out there, as we know, who will say that the UK produces 60% or 65% of its food, and that there is no encouragement in the Bill for that increase. Is there a reason for that?

Are the Government quite content to sit at that 60% or 65% because it gives them flexibility to allow a certain amount of product to come in—albeit under the conditions that the UK lays down—when agreeing bilateral trade agreements? Farmers, producers and processors need confidence in investing, and confidence that if they want to produce more, they can, and that there will be a return in profitability for doing that. Those are not only my thoughts but those of a lot of farmers and processors.

**Michael Gove:** I completely understand. You articulate very clearly the views that lots of people have put forward. There are different ways to measure the health of the farming and food production sectors. Of course, the degree to which we satisfy domestic demand is one, but so is the degree to which we grow by meeting the opportunities that new export markets provide.

My view is that we want profitable farm businesses, and that setting an abstract target for the amount of domestic demand that we should meet would be a mistake. However, encouraging more profitability and more productivity overall, consistent with good environmental outcomes, is absolutely what we want to do.

I will just mention two specific areas, one of which I think I have touched on with the Committee before. One is carcass balance. Northern Ireland plays a significant part in pigmeat production across the United Kingdom. We know that certain cuts are not favoured by the UK consumer but are favoured in, for example, the far east. If we can sell more to the far east, it means that domestic demand for bacon and the other cuts particularly favoured here can be met by domestic suppliers. We can have import substitution at the same as an export drive.

Similarly, there is a challenge with sheepmeat, because its consumption in the UK and EU is declining. If we manage to sell more sheepmeat to the middle east and other Asian nations, we can provide a more sustainable and profitable future for sheep farmers in the UK. We are absolutely focused on that.

One other thing that the Chair is very hot on, and that we are going to say more about, is a broader food strategy for the UK. It will look at how we make sure that questions like food security and productivity and the promise of technology can be addressed in order to provide the farming sector with a healthy future.

Q330 **David Simpson:** I think it is important that we get the balance right. George briefly mentioned the balance between the environment and food production. It has to be balanced but it can be slanted one way or the other. Farmers, producers, processors, or whatever, must have that



## HOUSE OF COMMONS

encouragement to invest and have to see if there are opportunities. I accept what the Secretary of State has said, but, if there are opportunities, we need to show that they are there and that farmers can take advantage of them as well.

**Michael Gove:** Absolutely. Another thing we recognise is that across the United Kingdom, the nature of the rural economy and the importance of farms varies. We know that in Northern Ireland, farm sizes are smaller and the livestock sector is significantly more important. Therefore, in shaping policies, we want to ensure that every farm business can enjoy a more productive future.

Q331 **David Simpson:** A very last point. On the powers to the devolved nations, to the Assemblies, there will be flexibility to allow certain changes. If a suckler herd scheme were to be brought in in Northern Ireland, they could do that, according to the split there.

**George Eustice:** The important thing to bear in mind is that most of the powers in the Bill are for England, but schedule 4 addresses Northern Ireland. DAERA told us that, because they do not have a political administration at the moment, they do not feel it is appropriate for them to set out a longer-term vision or put in place that legislation.

What they have broadly asked for is an abridged version of the Bill, so they want to bring across some of part 2, which is effectively the power to roll over the existing scheme, but improve it, so the power to modify.

So that is switching off some of the unnecessary administration and getting rid of some of the things such as the three-crop rule where that gets in the way, for instance. They would have those powers but they would not have the power to design a new scheme outside of the retained scheme at the moment.

Q332 **Chair:** Very quickly, George, when do you see the three-crop rule disappearing?

**George Eustice:** The Bill makes provision for us to be able to remove it, if we wanted to, from 2020. We haven't made that final decision yet, but it creates that power to do it. This the problem with the three-crop rule. The idea of incentivising better crop rotation is a good one and we want to support that. Indeed, the future policy—

Q333 **Chair:** But it wants to be much more flexible, doesn't it?

**George Eustice:** The way it is done, as is often the case with EU regulations, is completely dysfunctional. So, you can grow a cabbage, then a cauliflower, and they are treated as separate crops, even though they are brassicas, so it does not really add anything. You can grow winter wheat and then spring wheat but it doesn't achieve your objectives.

Q334 **Chair:** So, the short answer is that you are considering it for 2020, but you haven't made that decision.

**George Eustice:** We haven't made that decision but there is an option and a power in there to do it.

**Chair:** Angela, a quick supplementary, and then Caroline.

Q335 **Angela Smith:** Very quickly. George made the point that we can't—or shouldn't—divorce food production from environmental standards, our improvements on farms, and I agree. Most of the Committee would probably agree with that. Would both Ministers be ready and willing to look favourably on an amendment, which presumably would be put into part 1 of the Bill, as a principle of the scheme, an aspiration for each individual farm business to get that balance right? That is what the scheme is designed to help deliver.

**George Eustice:** I am not sure what sort of an amendment that would be. We are developing our environmental and management schemes and setting out what they would be.

Q336 **Angela Smith:** But it is the principle; I am not talking about the detail. As a principle, surely it should be enshrined in the Bill.

**George Eustice:** I think it is, because it is all about managing. At the outset, clause 1(1)(a), says: "managing land or water in a way that protects or improvement the environment". This is all about the farmed landscape and the word "farmland" is regularly used. It is all about the way we manage farmland.

Q337 **Angela Smith:** It doesn't mention the balance. I think farmers would be reassured if the commitment to balance were enshrined in the Bill. I think there is a balance and I agree with you entirely, but there is a real concern out there on the part of farmers that the Bill will lead to an imbalance and that food production will go down.

**George Eustice:** We have been very clear throughout that what we are trying to incentivise is a different sort of farming, an approach to more sustainable farming.

Q338 **Angela Smith:** I completely agree.

**George Eustice:** It is not necessarily just taking land out of production and not farming.

Q339 **Angela Smith:** But it's only inherent; it would be good to have the principle enshrined in the legislation.

**Michael Gove:** What effect would it have?

Q340 **Angela Smith:** The farmers I speak to are concerned that the Bill will lead to a very heavy emphasis on environmental outcomes at the expense of food production. I think that is it in a nutshell. The Bill needs to provide reassurance that that will not happen.

**Chair:** Yes, it is about reassurance, isn't it?

**Michael Gove:** I quite understand the concern, but I do not understand how the amendment would work.

Q341 **Angela Smith:** It would not put limits on the degree to which environmental outcomes are sought in any agreement with a farmer, but



## HOUSE OF COMMONS

it would give reassurance to a farmer that food production standards would not be significantly cut or reduced in any way by any environmental scheme.

**Michael Gove:** What would be an example of that happening?

Q342 **Angela Smith:** I am not going to give you an example; I am asking about the principle.

**Chair:** We will look at that—

**Michael Gove:** We are completely open to any amendments and arguments.

Q343 **Angela Smith:** An example would be, for instance, taking sheep off the hills in my constituency, which would potentially put farmers out of business. They do at that moment—I agree that there is a balance in taking some sheep off the hills because we have overgrazing, but there is a risk that that could be taken even further and put some farmers out of business.

**Michael Gove:** What provision in the Bill would lead to such an outcome?

**Angela Smith:** It is not that there is any provision in the Bill, but the Bill does not have a safeguard in it.

Q344 **Chair:** We can have this debate all morning—we will get to the afternoon very quickly. My idea of five minutes per question has just gone to 10. I am aware that you will want to go in a minute and I want to get through the rest of the questions.

**George Eustice:** We are just debating these issues. Kerry McCarthy is on the Bill Committee, and we had debates on farming systems and things such as organic, pasture-based and agro-ecological systems. I am able to give that reassurance through that debate, which is obviously recorded in *Hansard*, about the nature of the schemes we are looking at. Through the process of Committee and various stages of debate we will be able to reassure farmers about our intentions and the detail of the schemes.

**Chair:** We had better park that there. Caroline, we will try to stick to five minutes per question now.

Q345 **Dr Johnson:** If we want to incentivise farmers to grow more trees, flowers or create meadows, or whatever, we have to offer them money beyond what they would necessarily get for growing food in that area. You have then disincentivised food production, and this is about how we strike a balance and offer enough to incentivise people through an environmental scheme, without disincentivising food production. **Chair:** Are you going to get to the question?

Q346 **Dr Johnson:** Okay, so you have written a letter about the food strategy, and you have a Minister and a non-exec director producing a food strategy. How will that link up with the Agriculture Bill? How will it ensure that we do not have a beautiful environment that is not growing any food at all?



**Michael Gove:** The point of the food strategy is to look at a huge array of issues, and the Agriculture Bill is part of that—but only part of it. Food and drink is our biggest manufacturing sector, and at the moment it is performing incredibly well, but there are a wide range of related issues that we need to look at. The market reforms have been doing miracles to get the food that we enjoy on to our plates. We want to look at the impact that new technology might have on food production in future, and what the Government can do to ensure that that technology is disseminated in a way that helps to improve food production in future. We want to consider some of the challenges to food security overall, with a significant growth in the global population and a stress on natural resources in other countries as well. To what extent can the UK play a part in feeding the world, and to what extent are there challenges to our own food security? We also want to consider some of the related public health issues. We know that we are the first generation that is more likely to die as a result of what we eat rather than a communicable disease that we catch. We want to look at how we can help to support public health as part of the broader challenge that we face in future.

It comes back to the point that George made earlier. The Agriculture Bill is there to explain how we can provide new systems of funding to replace CAP funding, so that we can allocate public money for public goods and for productivity investment. It also outlines how we can intervene in the market in order to make sure that food producers get a price, but the Agriculture Bill is not everything that we are doing in the sphere of agriculture and food, and the food strategy will also look at some of the other tools that Government have, which are designed to ensure that we can have the right food economy in the future.

Q347 **Dr Johnson:** You have spelled out how serious this is. We are now more likely to die from what we have eaten. We have an obesity crisis. Particularly worryingly, we have a crisis in the number of children growing up who are obese by the time they start school. What can you do in terms of food production and incentivising the way that food processed and produced that will improve that, and why was that not in the Agriculture Bill so you can offer financial incentives to do that—or will there be more money available?

**Michael Gove:** Part of the point of the food strategy is to ask precisely those questions. That will inform both the support that Defra provides and policy more widely. One of the questions about obesity and childhood obesity is that it is a big and growing public health problem. There are some things that we do know, but other areas are open to question regarding how we can deal with it. We know that, in crude terms, obesity tends to be concentrated among certain groups—often people who face particular socio-economic limits and stresses. We want to better understand what we can do to help there.

One thing that I have said that I am happy to underline, and which is very much at the forefront of our mind, is that all the ingredients of a healthy environment—or almost all of them, citrus excepted—are grown in the UK and provided to a higher quality and in a more environmentally friendly



way by British farmers than by anyone else. Supporting British farms is critical to that.

**Q348 Dr Johnson:** Is that not why this work on food should have been done before the Agriculture Bill, so when you were producing the public goods for the Agriculture Bill this could have been included?

**Michael Gove:** That is an absolutely fair challenge. I would say that the Agriculture Bill provides a framework for us to ensure that we can support public goods and future food production, but the world is always changing, and there will always be a tension between the desire to have legislation that will provide certainty in the future, and the capacity for any Government or Parliament to react to changes that are potentially promising but bring challenges. We know that vertical farming technology—hydroponics and so on—is likely, although not inevitably, to be a bigger part of food production in the future. I suspect that when it comes to the regulation of vertical farming Defra and others may well bring in legislation and regulatory support for that in the future.

In the meantime we have to, taking account of our decision to leave the European Union, put in place a system to ensure that we can work with farmers in order to develop the schemes that can give them an opportunity to succeed in the future. The Agriculture Bill is critically important to make sure that we have a system in place as we leave the EU to support farmers and food production, but it is not the end of the story for what Defra or any Government might do in this area.

**Q349 Dr Johnson:** Just to clarify, you have said that the farming support financial package will remain the same numerically, and you have produced the Agriculture Bill, which gives you lots of powers to do everything except necessarily support some of the things that might come out of your food strategy. If, when you do your food strategy, you identify areas in which you could need to use financial incentives, where will the money come from? Can you take it out of your envelope that you have already said will go to farming support, or will there need to be new money from the Treasury?

**Michael Gove:** I can't anticipate what the food strategy, by definition, will recommend, but some of the things that it might recommend will be in the area of public health, and some might be in areas where I, or my successor, might want to co-operate with Matt Hancock in order to achieve particular outcomes. By definition, if the strategy makes a compelling recommendation for additional investment in particular areas, then the Government would take that seriously.

**George Eustice:** I might just add that there are elements of clause 1(1) that actually do have overlap with public health. If we were to pursue options such as integrated pest management and reduced pesticides, that is a public good that can already be covered by subsection (1)(a). If we were to pursue livestock systems that required less antibiotics, which undoubtedly would have a knock-on impact on our critical antibiotics in public health, that would be covered by the work on animal health and



## HOUSE OF COMMONS

welfare. There is a lot of overlap with some of the powers already set out in clause 1.

**Q350 Chair:** Okay, let's leave it there. There used to be a Ministry of Agriculture, Fisheries and Food. I know that is ancient history, but food and agriculture are so linked. I like your letter on food that we received this morning, Secretary of State. You talk there about affordable food, which is an important issue. The Agriculture Bill does not really explain how you will keep the potential to produce food. If you are to have affordable food, you will need a quantity of food. Will you import to make it affordable? If you do that, you will destroy our own prices. How do you get this "affordable" bit? It's a great word, and I think the whole population want to be able to feed themselves, but we need to have a good scale of production. Have you given that any thought?

**Michael Gove:** Yes, and one of the reasons that food occupies a smaller percentage of total household income—though I would never shy away from acknowledging that there are people in this country who face severe economic pressure—is that, as a general rule, we spend less of our disposable income on food as a result of the energy and enterprise of our farmers and the technological breakthroughs that have increased productivity and yield. If you ask a taxpayer, "Should I tax you more in order to pay for a food producer to produce food that's cheaper?", an economist might say, "Actually, why do I need to pay the producer in order to lower the price, when I'm losing some of my own disposable income through tax in the first place?" There is a broader question about whether BPS, as currently designed, has actually driven innovation in and of itself. Our farmers are innovative and productive, but there is an argument that BPS has held back productivity and investment in making sure that we have more profitable businesses.

**Chair:** I think it has been mixed, Secretary of State. I think it has done that in some places, but in other places farmers have used that support to maintain production. I think BPS is a mixed blessing—I would be the first to say that—but it is too purist to say that it has been detrimental, because lots of farmers in my constituency have used their basic farm payment to keep producing food and keep that livestock on the hills. That is why we need to have smart ways of replacing that to keep production going.

**Michael Gove:** I quite agree, but one of the things that economists would point out is that some of the least subsidised areas of farming have been the most profitable and productive.

**Chair:** Certainly pigs and poultry are an example of that. I will pass on to Alan now—the trouble is that, by intervening, I am not fulfilling my duty of keeping people to time. Alan, over to you.

**Q351 Alan Brown:** Thanks, Neil. Looking at fair dealing with agricultural producers, obviously the likes of the NFU have welcomed the powers to impose obligations for purchases of agricultural products. It is a principle that people agree with, but why have fair dealing obligations in the Bill



## HOUSE OF COMMONS

when we also have the Groceries Code Adjudicator, rather than have a system that covers the entire supply chain?

**George Eustice:** There are two provisions. There are some provisions on data and information. One of our thoughts is that you could aggregate wholesale sale data from processors and make that publicly available, so that farmers have the tools they need to be able to challenge processors when they are not getting the right price, rather than it being oblique due to a lack of transparency and their not really having the tools they need to be able to challenge prices.

Then there is a second section, which is around fair dealing and requiring the first purchases of agricultural produce. There is a power for us to be able to require certain terms and conditions on statutory contracts. We have had a problem for a long time with some dairy processors forcing farmers to commit to sell them all of their production but, frankly, not giving them adequate transparency about how that price would be calculated. We have attempted various voluntary codes, but the problem always with such codes is that the good people take part and those who you have the most problems with do not. Eventually, it starts to disintegrate, because the good people say they are putting themselves at a disadvantage.

We have taken the view that in these areas, rather than say there is a problem with profitability on farming so let's throw subsidies at it, let us tackle some of the causes of that poor profitability. One of those is the weakness of farmers in the supply chain at the moment. That is what these powers do.

Q352 **Alan Brown:** Again, why not have a single system that encompasses the whole supply chain? We have taken evidence; each stakeholder was scathing about the concept of the Rural Payments Agency being the body responsible for overseeing fair dealing. Why do the UK Government think that it should be the RPA and not the Groceries Code Adjudicator, which everyone has agreed is an exemplar regulator? Why not enhance powers for the Groceries Code Adjudicator?

**George Eustice:** There are seven people at the GCA and it has a very narrow remit with the 10 major supermarkets. It is funded by a levy on the supermarkets. If farmers would like the GCA to do it and they wanted that to be upscaled, the implication is that there would be a levy on farmers in order to pay for that. The model has been set up specifically to do supermarkets and it works well for that.

Q353 **Chair:** But farmers already pay levies. Why not spend some of that on getting the market right rather than frittering it all away?

**George Eustice:** There is a separate review. Obviously, the RPA will have reputational flack because of the difficulties of administering a dysfunctional EU scheme, which it has to do. The RPA also has a lot of expertise in many areas. It implements a school milk scheme for the EU; it runs carcass classification in all our abattoirs, so if you have new requirements on carcass classification and abattoirs, the RPA already has



## HOUSE OF COMMONS

people there and is best placed to do that. The GCA does not. The RPA administers lots of other schemes in this space. It does not just administer the rural payments, although that is its main function. It has knowledge and expertise in these areas.

Q354 **Alan Brown:** But looking at fair dealing will still be an additional responsibility and will still need additional skills. You said that the GCA is funded by 11 supermarkets and that if the GCA were enhanced, the farmers would need to pay a levy, but presumably the Government will have to provide extra funding for an expanded RPA to deal with that. Arguably, the Government could do the same thing for the Groceries Code Adjudicator.

**George Eustice:** It is a question of badging. We suggested it would be RPA just because it is best placed to do some of that work, particularly things such as carcass classification because it is doing that sort of thing already. Christine Tacon has been very clear, as you know, that she thinks the success of its model is that it has a very narrow remit and is built around improving the relationship with those 10 major supermarkets.

Q355 **Alan Brown:** Is it her reluctance to expand that is driving Government policy?

**George Eustice:** No, our view is that the RPA is already doing this work, so it is best placed to take it on, and that the GCA is a successful model that we should not ruin by throwing too many other additional responsibilities on it.

Q356 **Alan Brown:** Let me change tack slightly. On clause 25, you are aware that the Scottish Government have taken legal advice and I believe that a legislative consent motion is required—I believe one is also required for clause 26. Where do the UK Government sit at the moment in terms of resolving these issues and working to get agreement for a legislative consent motion?

**Michael Gove:** At official and ministerial level we are in conversation with Fergus Ewing and the Scottish Government to try to come to a common understanding and an agreement, so that if a legislative consent motion is required, it can be passed. As I have said to the Committee before, Fergus takes a very constructive and pragmatic approach. He has to be guided by the legal advice that he receives from the Scottish Government's legal advisers, but we believe there can be a constructive way forward.

Q357 **Alan Brown:** You know that the NFUS has sought legal advice as well about clause 26 and its potential impact. Its legal advice was that it would be the UK Government legislating in devolved competence, possibly undermining support that could be given to farmers in Scotland.

**Michael Gove:** I am familiar with the argument but I think there may be a misunderstanding in the case being made.

Q358 **Alan Brown:** What, in the legal advice to them and to the Scottish Government?



## HOUSE OF COMMONS

**Michael Gove:** I think there may be misunderstanding, but we are having a constructive conversation with those concerned.

Q359 **Alan Brown:** That is independent legal advice. In these discussions, amendments have been proposed to the Bill Committee, which is going through that process at the moment. I would suggest that an easy way to resolve matter would be to accept the amendments.

**Michael Gove:** We are looking at the amendments. I think there may be a difference of understanding on some of these points, but we want to achieve a shared understanding and a shared way forward.

**George Eustice:** It is a technical issue, but it is important to understand. The WTO schedule at the moment, and particularly the one on aggregate measures of support, is held by the EU, and the EU has regulations that require the UK to submit the information on our schemes, and then it satisfies the WTO that the EU as a whole is compliant. We have something called the UK Co-ordinating Body, which is already a UK body, hosted by the RPA—the great agency that you like to attack—and that is responsible for co-ordinating all of the data from all of the DAs and submitting it to the EU, so that the EU can in turn submit it to the WTO.

What we are trying to do in clause 26 is very similar: making sure that DAs submit to us the information that the UK would need to have in order to satisfy its obligations to the WTO. It would be a UK schedule for AMS, so just as the EU now have to have that information to be able to satisfy it, our view is that the UK Government would also have to have that information to be able to satisfy the WTO that we are compliant.

Q360 **Alan Brown:** But as the powers come back, they should be devolved as far as possible, because the existing Acts compel the Scottish Government to act with international treaties anyway, so it should be done in conjunction and with the consent of the Scottish Government.

**George Eustice:** Yes, but the point is that with AMS, where you have several components of the UK all contributing to a single envelope, the Scottish Government have no way of knowing whether they are compliant. Only the UK Government can know that because they have to have oversight for the whole of the UK.

**Chair:** One last question please, Alan.

Q361 **Alan Brown:** So you are saying that the legal advice that the NFUS and the Scottish Government have got is completely wrong?

**Michael Gove:** No, I think that there is a misunderstanding. Without wanting to go into it, I think the question that may have been asked of the legal advisers might not necessarily have been a question consistent with the interpretation of the legislation that George has just provided.

**Alan Brown:** Okay, I will feed that back.

Q362 **Chair:** Minister, I want to take you up on something that you said. We don't actually attack the Rural Payments Agency. The actual reputation of



## HOUSE OF COMMONS

the Rural Payments Agency is shot—to be perfectly blunt with you—with farmers and so on, because cases keep coming back and being regurgitated, and there are problems year after year. Why should we have confidence, and why would anybody in the industry—in the trade and through contracts—take any notice of the Rural Payments Agency? Sorry, but they are a laughing stock, not because of individuals—many of the individuals do a good job—but the whole Rural Payments Agency. If you said to someone, “We will threaten you with the Rural Payments Agency,” they would probably laugh all the way to wherever. The Grocery Code Adjudicator has got credibility; she is able to take on big retailers, threaten them, take them to court if necessary and fine them—she can do all those things. Why reinvent another system that will not work? It really won’t. I am sorry, but none of the major retailers or anybody else is going to be frightened by the Rural Payments Agency. Come on, Secretary of State; would you be frightened by the Rural Payments Agency?

**Michael Gove:** I respect the Rural Payments Agency.

**Chair:** Well, I would expect the Secretary of State to say nothing else but, in fairness, they lack credibility.

**Michael Gove:** I absolutely take your point on board, but I think that George made the case very clearly earlier: the RPA has had to administer a system of payments while being constrained by EU law, which is inherently dysfunctional. With the best will in the world, if the Archangels Gabriel and Raphael were in charge of the Rural Payments Agency and were constrained in that way, we would recognise that their plain white raiment was stained with the compromises of EU law.

Q363 **Chair:** I look forward to the future when we actually create our own policy that the Rural Payments Agency do deliver it and do not make a mess of all the maps, forms and everything else, or change the farmland that the same farmers have been farming from year to year, every time. There is just a litany of problems.

**Michael Gove:** There have been problems. I would say two things. The first is that some of those problems arose because of decisions to have Natural England administer some of these payments. I would say that Paul Caldwell, who is currently running the Rural Payments Agency, as members of this Committee will know, is an exemplary public servant. He and his team have been making significant improvements. There is a lot more to do, but it is important for me to place on the record my gratitude to him for his leadership.

Q364 **Chair:** Okay, we will leave it there. Just very quickly, we had Arla in. Of course, they prefer to have flexibility on milk contracts, because they make a 13th payment, so they like to hold a certain amount of money back. The farmers actually buy into Arla. Minister of State, are you going to allow any flexibility for large milk co-operatives, or for milk co-operatives generally?



## HOUSE OF COMMONS

**George Eustice:** We have been considering whether to use some of the existing powers to set up a statutory scheme for dairy contracts, but all they have to be able to do is demonstrate with absolute clarity the basis on which price is calculated. I know Arla and others have raised concerns about whether they can do that—

**Chair:** Yes, they gave evidence here.

**George Eustice:** We can look at their specific issues, but, for instance, I had a small dairy say to me recently that they have a price that is clear but that is pegged against—it is a percentage above—what one of the other major processors offers. That, in our view—

Q365 **Chair:** So you do not think they should have too much to fear from what you are doing?

**George Eustice:** No. I think some of them have interpreted it as meaning it will have to be based on the international commodity price for butter or something. That is not the case. They will, though, need to be absolutely clear about the method by which the price is calculated. That is what matters.

**Michael Gove:** I should say that official statistics that have been published during the Committee's meeting are encouraging on farm income overall, particularly on dairy farms. Average income on dairy farms more than doubled to £119,700 per farm in the last year, driven by an average rise of 23% in the price of milk and higher volumes of production. On grazing livestock farms, there has been a 36% increase for lowland and a 5% increase for those in less favoured areas. Overall, we saw all farm businesses apart from specialist pig businesses recording increases. It is important to recognise that our farmers, notwithstanding all the pressures they face, are doing a tremendous job of running profitable businesses and providing affordable food.

Q366 **Chair:** Actually, there is a cyclical milk price and we have a better one at the moment, which is always good. Those statistics will alter with world commodity prices.

**Michael Gove:** Of course.

Q367 **Chair:** Very quickly, we talk about an agricultural transitional period. At what point will we review the impact of the Bill on farming and the environment? Also, you are dealing with these pilot schemes on land management at the moment. When are they likely to come to fruition? When are farmers and land managers likely to know what they are going to look like?

**Michael Gove:** We are talking now to farmers and land managers who have expressed an interest in running some of those pilots. Of course, as we move out of the transition period and out of our membership of the common agricultural policy, there is an opportunity for us to demonstrate to the Committee and others the potential of these schemes. But indeed, the purpose of the seven-year transition is to ensure that we can learn



## HOUSE OF COMMONS

from some of those early pilots and then develop schemes that more and more people feel comfortable with.

Q368 **Chair:** I think it is a good role for the Select Committee to look at these schemes and how they will be rolled out. Are we going to have an opportunity to look at them and properly put some ideas down? We can take ideas and feed them in, but we would like genuine time to do that.

**Michael Gove:** Absolutely. One example of that, which I am grateful to you for, was the opportunity to visit Exmoor and talk to the team there about their ambition to take advantage of the provisions in the Agriculture Bill. There are a number of organisations, from the RSPB and the Nature Friendly Farming Network to individual farmers I have had the opportunity to meet in this job, who are mustard keen to help us to develop these new schemes.

**Chair:** Angela, will you quickly do the next question?

**Angela Smith:** As quickly as I can.

**Chair:** And then we had better let you go.

Q369 **Angela Smith:** I just want to ask about funding for the schemes. The NFU proposes amending clause 33 of the Bill to allow for a multi-annual budgetary framework that provides certainty for farmers. Do you accept that the farming sector needs long-term certainty to plan and invest?

**Michael Gove:** Everyone would like the maximum amount of certainty in order to have the opportunity to plan and invest, but as the Chairman pointed out, one of the things that we have to face is that food producers are dealing with a market situation. There will be market fluctuations, so of course we would want to give people the maximum amount of certainty, consistent with other, budgetary discipline requirements.

Q370 **Angela Smith:** So, multi-annual budgets?

**Michael Gove:** Well, we would like to give them the maximum amount of certainty, but I think multi-annual budgets would be a matter for the Treasury to reflect on as we go into the spending review.

Q371 **Angela Smith:** In terms of the global funding—John asked this question earlier—the current level of funding is £3.4 billion. It would give farmers a huge sense of reassurance if you were to commit now to maintaining that level of funding. It is a very small proportion of UK net public spending expenditure. Surely, in the interests of certainty in a very, very volatile situation, it would be incredibly helpful to send out the message now that at least that proportion, the £3.4 billion, would be guaranteed.

**Michael Gove:** I quite understand, but I am not the Chancellor of the Exchequer.

Q372 **Angela Smith:** You made quite negative comments earlier about the reform of the common agricultural policy, but already Commissioner Hogan has laid down on the table, made absolutely clear, what the financial picture will look like—it's going to be a 5% cut from 2020



## HOUSE OF COMMONS

onwards—so all farmers know that. But the commissioner is also consulting on a reform of the CAP very similar to the reforms that you are suggesting, Secretary of State—

**Michael Gove:** Indeed.

**Angela Smith:** In which the 80% that goes to 20% of EU farms will be altered to mitigate the impacts of the 5% cut on smaller farms. So the point you made earlier—that farmers do not have certainty under the CAP—is not really very fair, is it? We face a situation in which farmers in the UK have a greater sense of certainty under the CAP than they will do under your scheme.

**Michael Gove:** Commissioner Hogan, whom I have an enormous amount of respect for, is, I think, moving policy in the right direction, but it certainly has not been agreed.

Q373 **Angela Smith:** No, it's not agreed, but he has put the budget cut on the table; there is a level of certainty there. Surely you need to match that, Secretary of State.

**Michael Gove:** I think that one of the things that Commissioner Hogan has put forward as a proposal—again, I admire him and the arguments that he makes, but it is very far from having been agreed. Simply because a commissioner puts forward a proposal does not mean that that is going to occur, because the individual member states take very, very different views on what the shape of that budget should be. So it's very far from having been decided.

Q374 **Angela Smith:** The shape of the budget, but the 5% cut is on the table.

**Michael Gove:** It is on the table, but it has not been agreed.

Q375 **Angela Smith:** Let's try another tack. Are we looking at a cut in the £3.4 billion—the proportion that goes to farmers? Are we looking at an increase? Are we looking at a commitment to real-terms increases?

**Michael Gove:** We have a commitment to preserve that funding right up until 2022.

Q376 **Angela Smith:** And you will make no commitment beyond that. Increasingly, farmers and their representative bodies are deeply unhappy at the lack of a commitment, given that they are being taken out of a system that does give them a degree of certainty.

**Michael Gove:** It is a matter of fact that the farming sector has a greater guarantee of funding in the United Kingdom than in any other EU country.

**Chair:** Right. Let's leave that—*[Interruption.]* Caroline, one sentence.

Q377 **Dr Johnson:** If we have an extension to the transition period, what will happen to these schemes and the funding? Particularly if it's a short one and applies only to half a year, how will that impact on farmers and farming subsidies?



## HOUSE OF COMMONS

**Michael Gove:** Do you mean an extension to the overall transition period, the IP, as we leave the European Union?

**Dr Johnson:** Yes, because we could end up being halfway through a year, couldn't we?

**Michael Gove:** Quite. It shouldn't have any necessary impact on what we propose to do and the changes that we propose to make, but one of the things that we are very anxious to do at Defra is to avoid the necessity of such an extension.

Q378 **Chair:** Just before you leave, when do you expect the Agriculture Bill to receive Royal Assent and when will we see a consultation and statutory instruments relating to the Bill? Do you know that timing?

**George Eustice:** We are obviously going through it in earnest at the moment, through its Commons stages, and it will go to the House of Lords, I suspect, later this year—possibly early in the new year—but the aim is for this Bill to receive Royal Assent and be on the statute book in time for leaving the EU.

Q379 **Chair:** When do the statutory instruments start to roll into Parliament? Do they roll in sooner?

**George Eustice:** There are two things. As the Secretary of State said earlier, we will be publishing more details about our latest thinking on the schemes so that, as the Bill progresses, people will have more information about our direction of travel and the nature of some of the pilots we are looking at, for instance. The actual SIs themselves, giving effect to some of these things such as contracts and fair dealing, will not have to happen in the short term, because it will mainly be deployed during the agricultural transition period from 2021 onward.

Q380 **Chair:** What I am saying is, does the Bill have to wait to get Royal Assent before we see statutory instruments coming in to transfer powers across?

**Michael Gove:** At the moment, there are quite a lot of Defra statutory instruments that are coming forward to prepare us for EU exit. What we can do is to provide you, not with the full draft statutory instruments, but with significantly greater detail about what we intend to do.

Q381 **Chair:** That would be really useful, and also if we could have some idea about what is going to come through in the way of statutory instruments—

**Michael Gove:** Absolutely.

**Chair:** Then we will at least have an opportunity to see what they are.

**Michael Gove:** I quite understand.

**Chair:** Thank you, Secretary of State; you have given us some extra time and we very much appreciate it. Thank you, Minister of State; we had a very good session with you. Thank you both very much.



# HOUSE OF COMMONS

**Michael Gove:** Thank you.