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Alistair Carmichael MP
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29 January 2026

Dear Alistair,

Thank you for your letter of 25 November 2025. It was a pleasure to appear before the Committee. Please find my responses below to your follow-up questions.

<u>The Priorities of Defra</u>

You asked us to provide our best estimates of the anticipated improvements in the farming sector, enhancements in water infrastructure, and advances in the food industry, as well as to supply more information on the modelling behind these figures.

Farming Productivity:

We do not make explicit forecasts of farming sector productivity. Any such forecasts over a three to four year period are subject to high levels of uncertainty given the variable nature of agricultural productivity growth over time - for example, as a result of weather impacts.

Baroness Batters' recently published Farming Profitability Review offered a clear assessment of the challenges alongside 57 recommendations for strengthening farm businesses. Her review highlights that collaboration between farmers, and with experts, will be key to closing the productivity gap and improving farm profitability.

The Farming Profitability government response will be published later this year and, alongside the Farming Roadmap, will form part of a wider plan to boost profitability, provide clarity and stability, and support farmers to grow with confidence.

We have already made a number of important announcements following publication. Farmers and food businesses will have a stronger voice at the heart of the government through our new Farming and Food Partnership Board, launched in December 2025 to drive growth, productivity and long-term profitability across the sector. I will be chairing this board, with Farming Minister Dame Angela Eagle as my deputy.

The board will focus on removing barriers to investment, improving how the supply chain works and unlocking growth opportunities across different parts of domestic production, with a clear emphasis on supporting homegrown British produce and strengthening food security.

We have also announced our new Farmer Collaboration Fund. Over the next 3 years, we will spend up to £30m on a new approach to farm collaboration and advice. This will provide funding for existing and new farmer groups and networks, help those groups to connect with experts and create strong partnerships on everything from environmental action to business growth.

The Land Use Framework Analytical Annex sets out an estimate of the production growth required to offset any land use change impacts on agricultural production. We estimate this 'background' rate of production increase would need to be 0.5% on average per annum to 2050. Our assessment is that it is plausible for agricultural production to grow at such a rate in the long term, based on both historical performance and agricultural markets projections.

Food Industry Productivity:
As with farming, we do not make explicit forecasts of food chain productivity. Our estimates of productivity[1] show that in the latest ten years of data available, trends in productivity across manufacturing, wholesale, retail and catering have generally been upwards, albeit with a significant impact from Covid. The methodology note that accompanies the estimates details the data sources and calculations used to produce them.

The Good Food Cycle, launched on 15 July 2025, sets out the government's vision to drive better outcomes from the UK food system for growth, health, sustainability and resilience. The 'good food cycle' gives the food sector a blueprint for an economically successful and innovative domestic food sector. Growth in healthier markets supports a healthier population, and increases productivity and economy-wide growth, which then also benefits the food sector.

On 19 November 2025, I announced that Defra is working alongside the Department for Business and Trade and across government to introduce a Food Inflation Gateway. This will assess new government regulations for their impact on food businesses and food prices. It will help government coordinate across departments and sequence regulations sensibly, providing clarity that unlocks investment needed to deliver productivity gains, keep costs down and put a downward pressure on food prices.

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[1] https://www.gov.uk/government/collections/total-factor-productivity-of-the-food-chain

We have also announced plans to unlock food and farming infrastructure through planning reform, working with MHCLG to make food production a clearer priority in the planning system.

Water Infrastructure:
The record £104bn of investment planned for the water sector in the current five-year investment cycle (PR24) includes £44bn of enhancement spend, representing a quadrupling of capital delivery. With action to reduce storm overflows by 45%, further reduce leakage and deliver or develop new supply schemes to accommodate growth, planned enhancements will benefit customers, the environment and the economy.

Defra's Water Delivery Taskforce is providing oversight and assurance of infrastructure delivery within and beyond PR24, ensuring that water companies deliver the improvements they have committed to. In the Water White Paper announced on 20 January 2026, we set out proposed legislative changes to support timely and effective delivery of water infrastructure.

Fishing and Coastal Growth Fund (FCGF)

2. You asked us to outline how non-nation specific funds will be allocated in supporting cross-border projects that impact multiple nations.

Before the devolution announcement was made on 20 October, Defra officials held a UK-wide roundtable with stakeholders from across the UK. Since the devolution announcement, Defra officials have been engaging with industry stakeholders in England, and I want this engagement to be reviewed before we make any long-term decisions about how the fund will be allocated. This engagement included a series of webinars, online and in-person attendance at Regional Fisheries Groups, and a survey that ran until the end of 2025.

Nonetheless, examples of projects that are not nation-specific, but could positively impact multiple nations, could include the Seafood Export Package, a workstream that has previously been provided to industry in partnership with the Department for Business and Trade. If a project like this were to continue through the FCGF, it would be open to all UK exporters.

3. You asked us to confirm whether we considered a tailored allocation model, and, if so, why it was not adopted.

Other models were considered, but we listened carefully to calls from both Devolved Government ministers and stakeholders for the fund to be devolved and to learn the lessons from the UK Seafood Fund, which was reserved. The Scottish Government was particularly clear in representations to Defra that they wanted the fund to be fully devolved.

To devolve the fund and allocate it via the Barnett formula, following the change HMT made to fisheries funding in 2024, is in line with the normal funding arrangements for Devolved Governments. It also respects the devolution settlement and provides Devolved Governments with full discretion over how they choose to spend their funding allocations. This means that, from within their overall Spending Review settlement, they can allocate additional funding to fisheries and coastal communities.

4. You asked for details of the conversations our fisheries team had with the industry regarding the design and implementation of the Fund before its announcement.

Defra officials did not have formal discussions with industry on the design and implementation of the FCGF ahead of its announcement. However, the department's approach will be informed by our ongoing engagement with the sector through existing funding programmes - such as the Fisheries and Seafood Scheme and the UK Seafood Fund - which have provided valuable insight into industry priorities and operational realities. This wider engagement has helped shape our understanding of sector needs and informed the development of the Fund. We have also been able to draw upon evaluations of previous funding when considering future proposals for support.

Defra officials have been carrying out engagement since October 2025. Initial analysis of engagement to date has shown that previous schemes were seen as too rigid and bureaucratic. Related to 'how' we fund, stakeholders are showing a desire for multi-year funding, and support in the development of applications. Examples of policy priorities that are emerging include workforce development and portside improvements.

More generally, we have heard that the fund needs to be flexible, supporting both wild capture and aquaculture. As well as prioritising small operators and community-led regeneration, we need to consider investment in vessels, ports, cold storage and processing.

Under question 2 above, I set out how we have engaged with the fishing industry both prior to the October devolution announcement, and since with stakeholders in England. This engagement has already generated excellent ideas on both how the fund could work and what it should cover.

5. You asked us to confirm whether Defra recognises that there are two substocks of North Sea cod and, if it does, whether it is entering quota negotiations with this in mind.

The Northern Shelf cod stock has three recognised substocks: Northwestern, Southern and Viking. In broad terms, the Northwestern substock is found in the waters around Scotland, the Southern substock is found in the southern North Sea, and the Viking substock is found in the waters off Norway and in the Skagerrak.

The International Council for the Exploration of the Sea (ICES) follows this approach in their scientific advice on the stock. This advice informs the trilateral negotiations between the EU, Norway and the UK each year.

Packaging reforms

6. You asked us to set out the Government's analysis of the impact of the Plastic Packaging Tax and whether there are plans to reform the tax to ensure it helps drive more investment into the industry.

Defra has been working closely with HMT on the Plastic Packaging Tax (PPT) reform, the outcomes of which were announced at Budget 2025. HMT announced that the PPT rate will increase by CPI inflation in 2026/27 to maintain the real-terms value of the price incentive to use recycled plastic. This is to help ensure that PPT remains effective at increasing demand for recycled plastic, while ensuring that businesses paying the tax do not face new costs. The recycled content threshold that businesses need to meet will remain at 30%.

Similarly, as first announced at Autumn Budget 2024, the government will also legislate in the Finance Bill 2025-26 to allow businesses to use a mass-balance approach to attribute chemically recycled plastic to their packaging and claim an exemption from PPT if it meets the 30% threshold. This change will be implemented from 1 April 2027. Announced at the same time, the government will also legislate in the Finance Bill 2025-26 to disallow pre-consumer plastic waste as a source for recycled plastic for PPT from the same date, to address fraudulent claims of recycled content.

Finally, HMT has also announced they will be consulting on the proposed introduction of a mandatory certification requirement for mechanically recycled plastic packaging that businesses will need to meet to be able to claim an exemption from PPT. The consultation will launch in early 2026. This requirement is intended to address concerns that stakeholders have raised on the validity of recycled plastic claims on imported plastic packaging.

7. You asked us to outline our engagement with the hospitality sector and any plans to provide further support.

Defra has continued to engage with the hospitality sector following the introduction of the new Simpler Recycling statutory requirements for workplaces (excluding micro-firms), which went live on 31 March 2025.

In January 2025, Defra partnered with UKHospitality to deliver a webinar to hospitality businesses to raise awareness of the requirements, provide details on the enforcement approach and to answer stakeholder questions.

We have since engaged with the hospitality sector, including UKHospitality, through a workplace sounding board (a forum for us to work with representatives across industry on workplace implementation of Simpler Recycling) and a series of one-to-one meetings with large businesses in the sector. This engagement will continue, and expand, in the lead up to the new Simpler Recycling requirements for micro-firms going live on 31 March 2027.

The Hospitality Sector Council met with Defra officials at Director level on 14 October 2025. They discussed what help the sector needs to work together to enable a successful implementation of packaging Extended Producer Responsibility (EPR) and Simpler Recycling.

In June 2025, Defra convened an on-trade glass reuse industry working group. The group discussed existing industry trials and explored practical approaches to scaling glass reuse with an initial focus on how this can be applied to the hospitality sector.

Defra plans to launch a call for evidence in early 2026 to explore ways to increase the uptake of reusable glass in the on-trade/hospitality sector and will continue to engage with hospitality stakeholders in this work.

The Deposit Return Scheme (DRS) goes live in October 2027. Hospitality venues operating a closed loop environment will have the option of not passing on the deposit to consumers purchasing an in-scope container, on the basis that the container is consumed on the premises and collected by the venue for collection and return to UK Deposit Management Organisations (DMOs) who will reimburse the business the deposit amount accordingly. Under DRS, hospitality venues are also not obligated to host return points, although they may apply host to a voluntary return point if they wish to.

We will continue to engage with the sector and UK DMOs to ensure the DRS is implemented as effectively as possible in hospitality venues.

Port of Dover Health Authority

8. You asked us to outline our plans for a ministerial visit to Dover.

Baroness Hayman visited the Port of Dover on 20 November 2025. She met with Lucy Manzano and other Dover Port Health Authority (PHA) staff for a tour of the site and a discussion of the challenges they face. We remain committed to addressing these challenges and supporting the essential work carried out at the Port.

9. You asked for details of our plans to support Dover PHA financially in the coming years.

Defra is in active and positive discussions with Dover PHA regarding the provision of funding for financial year 2026/27, including consideration of an increase in funding beyond current levels in line with requests from the PHA.

Coastal Erosion

10. You asked us to explain how we are ensuring that our plans for coastal management are adequately implemented and funded.

We are committed to supporting coastal communities and ensuring coastal risk management is fit for the challenges we face now and in the future. Shoreline Management Plans (SMPs) are developed and owned by the local authorities and have recently been refreshed with updated action plans following collaborative work with the Environment Agency (EA).

Local authorities receive revenue funding for flood and coastal erosion risk management through the Local Government Finance Settlement (LGFS). The Ministry for Housing Communities and Local Government's LGFS for 2025-26 makes available over £69 billion, a 6.8% cash terms increase on 2024-2025. The majority of local government funding is un-ringfenced, recognising that local authorities are best placed to decide how to meet the rising service pressures in their local areas.

In addition, through the Coastal Transition Accelerator Programme, we are investing £36 million in adaptive approaches supporting local authorities to work with local communities to identify how we can help them adapt to the effects of coastal erosion. In Dorset, this is supporting improved beach access and improved awareness of coastal risk. In North Norfolk and East Riding of Yorkshire, it is speeding up long-term planning around the movement of communities and businesses away from at risk coastlines.

Further to this, between April 2024 and March 2026, around £667 million is being invested into protection from sea flooding, tidal flooding and coastal erosion.

11. You asked how Defra coordinates with MHCLG where responsibilities overlap - for example, when rehousing affected individuals.

We are working closely with the Ministry of Housing, Communities and Local Government (MHCLG) on a range of policy areas, including flood and coastal erosion risk management. Defra has overall policy responsibility for coastal erosion risk management in England and sets national policy. MHCLG is responsible for national policy relating to local government, housing, planning, communities and homelessness. Local authorities are responsible for providing homelessness assistance and temporary accommodation in some circumstances.

The EA maintains a strategic overview of coastal erosion. It works closely with and provides guidance and support to coastal protection authorities (unitary and district authorities in coastal areas).

12. You asked us to confirm whether we are considering *a national strategy for coastal adaption* and, if not, any alternative approaches that are being considered.

The statutory National Flood and Coastal Erosion Risk Management (FCERM) Strategy sets out long-term objectives and shorter-term measures for achieving climate resilience and adaptation as well as the roles and responsibilities of all risk management authorities. The EA will review the current strategy in 2026 to reflect current government policy priorities.

The EA is currently working with Defra to develop further support for coastal adaptation that will use learning from, and provide a legacy for, the £36 million Coastal Transition Accelerator Programme. Any support developed will complement and form part of the National FCERM Strategy which covers coastal erosion risks.

I trust that this letter addresses all your questions and I look forward to continuing to work together constructively across all of Defra’s vital areas of responsibility.

Yours sincerely,

E Reynolds

THE RT HON EMMA REYNOLDS MP