Written Evidence submitted by The Country Land and Business Association (CLA)(FS0053)

Introduction

The Country Land and Business Association (CLA) represents 27,000 members who are farmers, landowners, and rural businesses in England and Wales. The issue of food security is therefore extremely important to us and our members. The CLA welcomes the EFRA Select Committee inquiry into food security as a positive contribution to the national debate.

1. **What are the key factors affecting the resilience of food supply chains and causing disruption and rising food prices – including input costs, labour shortages and global events? What are the consequences for UK businesses and consumers**?

Supply chain resilience - the physical, economic, and human infrastructure that underlies the food supply chain, and that chain's vulnerabilities – is one of a number of different factors that make up food security.

If we look at the current issues regarding the rural economy, although the Russo-Ukraine conflict has exacerbated the problems, the origins of the cost of living crisis were apparent when the economy began to re-open after the pandemic. The overheating of the economy where surging demand was not matched by increased supply led to increased energy prices, volatilities in the market and serious strains on supply chains.

We see the main risks to the resilience of the UK food production supply chain as:

- Extremely high fertiliser costs which impact on cashflow, and are likely to lead to lower application rates, lower yields and profitability, even with the higher market prices. There is a risk to availability in future years if fertiliser production ceases, or costs are so high that no farmers are willing to purchase.
- Rising costs of livestock feed, which increases costs across all livestock sectors but are not always reflected in farmgate prices;
- The high fuel and energy costs for buildings, field work, drying, harvesting and transport;
- Labour availability, including, most acutely, seasonal labour. This limits productive capacity in the sectors with the lowest self-sufficiency. There needs to be greater flexibility regarding migrant labour and the government needs to adopt a skills strategy for the sectors concerned is needed, with appropriate support (eg shared apprenticeships), as recommended in the recent APPG report on levelling up the rural economy[1];
- Water availability;
- Increasing numbers of adverse or extreme weather events, such as drought or flood;
- Ecosystems degradation leading to poor soil quality, decline in pollinators etc, all of which has an impact on productivity;
- Availability of spare parts for machinery;
- The lack of local abattoirs to service specialist markets;
- As witnessed during the first lockdown, availability of packaging; and,
- Availability of transport (HGV drivers).

When these factors are taken together, there is significant and ongoing pressure on supply chains, with negative impacts on households and businesses, particularly agricultural producers (see Q.2).

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[1] https://www.cla.org.uk/documents/502/Levelling_up_the_rural_economy_-_APPG_report_2022_ONLINE_pdf.pdf

Concerns around household food security in the UK relates to affordability rather than absolute food scarcity. A 2021 report, based on large-scale surveys, noted that in the 6 months to January 2021, 4.7 million adults (9% of all households) experienced food insecurity. Current and future inflation, current and future interest rates; and wage levels and disposable income will all have a further impact.

2. **What is the outlook for UK food price inflation in the short and medium term? What policy interventions should the Government consider to manage these pressures?**

Although the Government believes that there are no immediate food supply issues in the UK, increasing prices will have an impact on household food security. Ongoing high fertiliser and feed prices could have significant impacts on farm production unless market prices reflect costs. Cashflow and profitability problems could curtail production. With similar impacts elsewhere in the world, imports may not be freely available.

According to Andersons' August estimate, inflation for agriculture in July stands at 23.5% which is more than double that of agricultural outputs at 10.1%.[2] Their analysis shows that several livestock sectors are 'showing signs of stress', particularly the pig and poultry sectors where feed traditionally accounts for 65-80% of production cost. Dairying and grazing livestock are also feeling the strain, especially for those farms that have not forward bought their fertiliser. The arable sector is less affected, as most farmers have forward bought their fertiliser and output prices have hit record levels recently.

The ONS noted that food price inflation increased by 13.1%, the highest rate since 1989.[3] This has been increasing month on month for the last 12 months. The main reason for such an increase is again the volatility of energy markets which has increased input and raw material costs for producers.

Given the divergence between agriculture inflation and food price inflation, it is clear that farmers' businesses are being squeezed. The CLA has heard of retailers seeking to dampen down food price increases in order to retain market share, in whole or in part by restricting the increases in the market prices received by primary producers.

Many levers are already in place, though some need to be speeded up or improved:

- Action by the Grocery Code Adjudicator is more important than ever and its independence must be guaranteed;
- Government support for investment in technology e.g. precision applications of fertiliser and organic material (Farm Equipment and Technology Fund), although this is not accessible to everyone, especially smaller farmers;
- Government support to improve farm infrastructure (Farming Transformation Fund) – slurry storage, water storage and irrigation – though timescales need to improve;
- Sustainable Farming Incentive standards that will improve soil health and nutrient management; and,
- Industry-led solutions, e.g. knowledge exchange and advice, collaboration for efficiency, using manures/slurries more effectively.

3. **How will the proposals in the Government's food strategy policy paper affect:**
    1. **the resilience of food supply chains?;**

[2] https://theandersonscentre.co.uk/agflation-update-august-2022/
[3] https://tradingeconomics.com/united-kingdom/food-inflation

2. **the agri-food and seafood sectors?;**
3. **access to healthy, nutritious food?**

The Government Food Strategy focusses on building the long-term resilience of the food supply chain with policy commitments based around supporting a prosperous agri-food sector; sustainable, nature positive and affordable food; and, developing export opportunities. It does very little for the current short-term impacts that farmers are facing including high input costs and volatile global market prices, or endemic issues of low share of the value chain and inability to respond to unforeseen events.

The short-term should not be ignored. . In some years, short-term disruptions outside the control of farmers and land managers such as severe weather or market disruption affect farming viability and threaten food production. Most farmers and food producers are SMEs who individually do not have market power to negotiate fair prices, and who operate in an environment where there are many unmanageable risks such as extreme weather or global market conditions.

- More must be done by government to improve fairness in the supply chain.
- Contingency plans and a disaster recovery fund must be available for unforeseen disruption.

In relation to primary production from farms, the key recommendations in the government food strategy are being delivered through the agricultural transition schemes. The package of measures to support farming productivity has the backdrop of the removal of direct payments which has been the mainstay support for many years; this will put financial stress on many farming businesses if they can't change what they produce and/or how they produce it. There is support available through investment grants, advice and innovation programmes.

- The investment grants need to be designed to allow access and opportunity for the diverse range of businesses to innovate, adapt and invest. Too often smaller farmers, new entrants and those without access to finance have difficulty in accessing, while all businesses are affected by the difficulties in of lack of forward plans for new funding rounds, and when applications are submitted, aligning planning approvals and licenses with grant funding. In addition all businesses are currently affected by rising costs, cashflow challenges and uncertainty about the future which is dampening confidence to invest.
- The second round of the Future Farming Resilience Fund suffered from a lack of take up, and not all of the allocated funding was spent. There were various reasons for this, including under-delivery from some of the support providers as well as disjointed Defra promotion of the scheme at the outset.
- We welcome the establishment of The Institute for Agriculture and Horticulture (TIAH) which intends to be a hub for training and professionalisation of the industry, but specific incentives for training would break the culture of low investment in training.

The Government food strategy statement to 'broadly maintain current production' is a welcome commitment to primary production, but there needs to be greater clarity on:

- How responsive the government will be to the emerging trends that will be published every 3 years.
- What it means for the industry, particularly for sectors that have domestic surpluses and rely in export markets.
    - More concrete policies on how to achieve growth in domestic and export markets.

Communication and policies should focus on the multi-functionality of land. There is currently a divisive debate about food production and the environment, when actually the challenge facing farmers is to deliver both. This can be done through a range of farming systems including sustainable high output farming and more ecological approaches, alongside releasing some land focussed environmental management.

The proposed Land Use Framework could be a useful tool if it brings consistency to spatial data availability and how they are used, to support informed land use choices **(**for example, identifying land that is most suitable for trees, specific wildlife habitat, or high value agricultural land). This can already be done to some extent through various mapping and data sources, as well as knowledge of farmers and land managers. The CLA is concerned that a Land Use Framework could be used to dictate what land managers can do on their land, rather than guide choices; could overlap with the planning system; and could be based on incomplete or outdated data. In other words, the value of a land use framework is not clear.

4. Is the current level and target of food self-sufficiency in England still appropriate?

A complex question.

Firstly, while self-sufficiency is considered a key indicator for food security, it does not on its own guarantee food security. Sourcing food globally can improve supply chain resilience by spreading a whole range of risks, and offer far greater choice to consumers. But at the same time, it means the UK's food supply is exposed to a range of geopolitical, production and logistical risks often outside its control. (see Q.1)

Secondly, the production of global commodity inputs and outputs has become highly concentrated among fewer countries. If one or more of the largest producers are affected by weather, disease or pests, or geopolitical events, supply goes down and prices go up *for everyone*, irrespective of self-sufficiency levels, as we have seen for wheat this year.

Thirdly, Defra's statistics that in 2020 the UK was around 75% self-sufficient in foodstuffs that can be produced domestically hides a very wide range of self-sufficiency levels:

Oats and barley	>100%	Oilseeds	80%
lamb	>100%	Potatoes	70%
Milk*	>100%	Pigmeat	66%
Wheat	90%	Sugar beet	60%
Incl milling wheat	81%		
Poultry	90%	Fresh vegetables	54%
Eggs	89%	Fresh fruit	16%
Beef*	86%		

* By value, the UK is a net importer of dairy and beef. This reflects UK consumer preferences for eating higher value products, while lower value products are exported. Net of exports, actual consumption of UK-produced food was c. 54%.

The need to focus on self-sufficiency level for fruit - and vegetables – is clear:

- While imported fruit comes from many different countries, it all depends heavily on the transport infrastructure into the UK. This should be a cause for concern, as should water availability in many of the producing countries;

- Imports in this high value sector are worth over £3.9bn (vs. £184m exports). Even discounting the types of fruit that cannot be grown here, there should be an economic opportunity for UK growers

More broadly, with domestic production only meeting 60% of food requirements by value, the 40% gap between supply and demand has a negative impact on the UK balance of payments. The trade deficit in feed, food and drink was £26.6bn in 2020.[4] This can create inflationary pressure, for example when exchange rates make imports dearer as could clearly happen with the current pressure being exerted on sterling.

To maintain or bolster self-sufficiency, the CLA recommends:

- Measures to improve labour availability, support for automation, and an appropriate skills strategy.
- Fast tracking planning permission for agricultural buildings (including storage and packing buildings, polytunnels and greenhouses, abattoirs and reservoirs).
- Changes to public procurement rules.
- Trade agreements that avoid imports produced to lower standards from undercutting domestic producers.
- Policies to bring down the estimated 1.6m tonnes (3.2% of all food harvested) wasted in primary production[5], including fair supply contracts.

5. **How could the Government's proposed land use strategy for England improve food security? What balance should be stuck between land use for food production and other goals – such as environmental benefit?**

   It is not clear that a land use strategy would help.

   There are benefits to the government clarifying the land use implications of its various policies and targets (is there enough land to deliver everything and what are the implicit trade-offs). A land use strategy could do this and also identify the best value for investment (whether by government or the private sector) given the outcomes investors want to see from land. Collating evidence and analysis of land availability and requirements to meet government targets for food, nature and climate will provide reassurance that the targets can be achieved or indicate the need to adjust ambitions.

   However, CLA members are wary of 'scope creep' in any land strategy. At best it is only part of the solution, and at worst could establish a duplicative, prescriptive layer of bureaucracy. At the local level, Local Nature Recovery Strategies will identify local priorities for nature and we would urge government to get these working before embarking on a different project.

   The balance between food production and environmental delivery for nature and climate, is not a simple binary choice. There is a spectrum between highly productive agriculture at one end and land dedicated solely for nature at the other. But in between there are many types of farming practice that deliver food and positive environmental benefits. Farmers should be free to determine where they sit on this continuum, though environmental and agronomic data, and government policy

[4] Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1056618/AUK2020_22feb22.pdf

[5] Source: WRAP (2019): Food waste in primary production in the UK

objectives will influence that decision. Presenting this information as clearly as possible to land managers would help decision-making, by identifying opportunities for different land uses and signpost to funding sources for delivery.

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