**Written evidence submitted by Farmers' Union of Wales ( FS0088)**

# Farmers’ Union of Wales response to a UK Environment, Food and Rural Affairs Committee inquiry into food security

30th September 2022

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## About the Farmers' Union of Wales

1. The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales, and since 1978 has been formally recognised by the UK Government, and subsequently by the Welsh Government, as independently representing those interests.

2. The FUW's Vision is *thriving, sustainable, family farms in Wales*, while the Mission of the Union is *To advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision.*

3. In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.

4. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

## Factors affecting food supply chains

5. In light of the FUW's remit, this evidence submission takes into consideration that UK food supply chains are interlinked between the four nations and therefore many of the factors and concerns raised apply beyond the Welsh border.

6. Notwithstanding concerns regarding divergence between UK nations when it comes to devolved land use policies and the importance of fair competition, this submission does not provide specific comments on the latest UK Government food strategy or policies which apply in England only.

7. Global events such as the Covid-19 pandemic and ongoing Russian war on Ukraine have demonstrated how sensitive food supply chains and agricultural commodities can be to global events, serving as a stark reminder of the dangers of relying on imports of food and raw materials.

8. While the combined impacts of recent events are evidenced by the fact that the UK inflation rate for food and non-alcoholic beverage prices reached 12.7% in July 2022, The Andersons' Centre reported in July that 'agflation' (inflation linked to rising agricultural costs and prices) was running at 23.5% per annum, around 20 percentage points above the UK Government's Consumer Price Index (CPI) rate of inflation, which is itself at the highest recorded rate since 1981.

9. In comparison, the rate of inflation at the same time for agricultural outputs was 10.1%.

10. Such events have highlighted the importance of maintaining a strong domestic production and processing base in order to provide for local and wider UK commodity markets and food security.

## General impacts of war in Ukraine

11. In order to fully appreciate the impacts of the war in Ukraine on the UK food system, it must be recognised that:

    - 13% of the world's wheat is produced in Ukraine and Russia
    - 30% of global wheat exports come from Ukraine and Russia
    - 20% of the world's barley is produced in Ukraine and Russia
    - Ukraine is the world's largest producer of sunflower seed
    - 50% of the world's sunflower seed is produced in Ukraine and Russia
    - 45% of EU gas imports previously came from Russia
    - Gas prices increased six-fold in the first quarter of 2022 compared with 2021
    - Key fertiliser prices have increased three-fold since 2020
    - UK food self-sufficiency has fallen by 20% since 1985
    - An additional 195 million people are expected to face food insecurity in 2022 as a result

12. As a result of the war and in light of such statistics, the UK has witnessed soaring gas, oil and energy prices over recent months.

13. The average price of pump diesel in March 2022 was 171.39ppl, 34% higher than in March 2021.

14. Likewise, the average price of red (agricultural) diesel in March 2022 was 96.02ppl, 60% higher than in March 2021.

15. Agricultural and Horticultural Development Board (AHDB) figures revealed a 196% increase in the cost of UK produced nitrogen in March 2022 compared with March 2021.

16. Whilst artificial fertiliser use in the UK has decreased by around 50% since 1990, it must be noted that UK and global food production continues to rely significantly on such fertiliser.

17. Such factors led International Monetary Fund Managing Director Kristalina Georgieva to state on 19th April 2022 that:

    - *Russia's invasion of Ukraine has created a crisis on top of a crisis - with devastating human costs and a massive setback for the global economy*

- *Inflation is reaching the highest levels seen in decades. Sharply higher prices for food and fertilisers put pressure on households worldwide - especially for the poorest*
- *We know that food crises can unleash social unrest*
- *We need urgent action. A key lesson from the 2007/08 food crisis is that fast and well-coordinated actions are critical to maintain open trade, support vulnerable households, ensure sufficient agricultural supply, and address financing pressures*

## Impacts on agricultural sectors

18. Across all sectors, farmers are faced with high prices and shortages that are affecting decisions regarding the planting and fertilising of crops that will lead to reduced harvests later in the year, with inevitable further knock-on impacts for food production later in the year and well into 2023.

### Dairy sector

19. The increase in feed, fertiliser and energy costs has had a significant immediate impact for dairy farmers.

20. The increase in fertiliser costs means farmers are faced with the dilemma of choosing between raising input costs massively to produce fodder for later in the year and into 2023, or cutting back on fodder production and therefore the amount of milk they produce.

21. An AHDB forecast of total GB production indicates production could be down by as much as 649 million litres as a result of the pressures on the industry.

22. In April 2022, industry experts Kite Consulting said that milk processors would need to pay nearer 50 pence per litre in order to reverse the drop in milk production.

23. However, despite farmgate milk prices having increased significantly in order to compensate for rising production costs, the UK average milk price for July 2022 was announced by Defra as being 45 pence per litre.

### Livestock sector

24. The increase in feed, energy and fuel costs has raised production costs significantly for farmers and throughout the red meat supply chain, diminishing the value to the industry of currently buoyant market prices for livestock.

25. As for other sectors, high fertiliser costs and availability problems will lead to reduced yields of crops and fodder later in the year, leading to on farm and GB wide feed and fodder shortages as farms go into the autumn and winter.

26. It is likely that alternative sources of feed will be limited, as problems with availability and price increases will be present across the globe - problems that will be exacerbated for Welsh farmers if countries such as France and the Republic of Ireland introduce government support for buying feed and fodder, as they have done in previous emergency situations.

27. Such shortages are predicted to be even greater this autumn and winter due to months of dry weather and Wales now being under drought status, with many farmers facing difficulties with harvesting crops and silage and having to already feed full winter rations.

## Arable sector

28. While the price rises for arable caused by shortages superficially provides an incentive for arable farmers to continue or even increase production, this is more than negated by the shortages and massively inflated costs of fertiliser, increases in other costs and the general uncertainty in markets.

29. Incentives put in place in various countries around the world, including the EU, to increase production may lead to difficulties such as reduced seed grain availability.

30. As such, GB arable farmers:

    - Have changed their actions and plans in terms of planting and fertilising crops in 2022
    - Are expected to have reduced fertiliser applications with inevitable consequences in terms of reduced yields
    - May have reduced the areas sewn with crops
    - Some arable farmers who have forward-brough fertilisers at previously lower costs for their own use may have decided to sell a proportion of that fertiliser at the current far higher prices, rather than make use of it themselves

## Pig sector

31. The UK pig industry had already been facing major challenges, primarily due to the loss of EU workers in the supply chain as a result of Brexit - a loss which had led to a a backlog in slaughtering of hundreds of thousands of pigs; the on-farm culling of scores of thousands of healthy animals and an estimated £250 million loss for the sector.

32. The impacts of the war in Ukraine on feed prices, alongside the jump in energy prices, have escalated the pig industry crisis to a critical level, with pig producers' production costs now over £2 per kg and many now losing more than £50 per pig.

### Poultry sector

33. Prior to the war in Ukraine, the UK's poultry industry had already been under significant pressures due to a range of issues, including those caused by non-tariff barriers for exports to the EU, and most notable due to widespread bird flu outbreaks and related restrictions.

34. In late March, the British Egg Industry Council stated that input costs had risen by around 30% due to the war and that it had written to the chief executives of UK supermarkets calling for consumer prices for eggs to increase to reflect this.

35. The British Free Range Egg Association has said that the price of a dozen eggs should rise by 40p to take account of increased production costs.

36. The British Poultry Council warned of some products such as organic poultry becoming completely unviable due to the lack of organic feed supplies much of which are sourced from Ukraine.

# Policy interventions

37. At the Royal Welsh Agricultural Show 2022, the FUW launched its five point plan which it believes should be implemented in order to help relieve pressures for farmers, food producers and consumers in the immediate term, while bolstering UK food and energy security in ways which reduce the dangers of future exposure to global emergencies.

## i. Time to reset international trade policy

38. The UK Government has been pursuing liberal trade deals with distant countries that its own figures show will undermine UK food security while having negligible benefits for the UK's economy.

39. Despite the clear warnings of the Covid-19 pandemic and the Russian invasion of Ukraine, the UK Government has continued to pursue trade policies that will increase the UK's reliance on food imports and open up UK markets to imports or products that do not meet domestic standards.

40. The FUW believes that the UK Government must revise this policy and focus on trade policies that place UK food security at the top of the agenda.

41. The Trade (Australia and New Zealand) Bill currently passing through the UK parliament would, if passed, mark the final sign-off of the most significant of these trade deals agreed to date.

42. The UK Government's impact assessment of the UK-Australia Free Trade Agreement (FTA) estimates it would increase UK GDP by between 0.06% and 0.1% by 2035, leading to a long term increase in UK wages of 0.1% - an average of 60p a week, based on 2019 figures.

43. For Wales, the UK-Australia FTA is estimated to lead to a long term increase in GVA of 0.09%, or around £60 million per year. This compares to a fall of circa £250 million in the annual funding allocated to Wales by the UK Treasury to replace EU CAP and structural funding.

44. In comparison, the impact assessment reveals the estimated benefit to Australia is around 80% higher than the estimated benefit for the UK.

45. Under the UK-Australia FTA, immediate access to duty free transitional quotas for key agriculture products, including beef and sheepmeat, sugar and dairy, with eventual tariff elimination, are estimated in the impact assessment to lead to a fall in the GVA of the UK's agri-food sectors of more than £250 million, which the UK Government admits is *"...driven by increased import competition in the beef and sheepmeat sub-sectors."*

46. Such impacts would equate to a fall in the gross output of Wales' cattle and sheep sectors of £29 million - but the impact assessment highlights *"…If supply was more responsive in the future than suggested by the historic data, [UK] production volumes could decrease by more."*

47. The UK Government's impact assessment of the UK-New Zealand FTA estimates it will increase UK GDP by 0.03%, meaning around 130 similar deals would be required to make up for the reduction in UK GDP anticipated by the Office for Budget Responsibility as a result of Brexit.

48. The UK-New Zealand FTA impact assessment estimates it will lead to a fall in the GVA of the sector categories in which food and farming sit of £129 million, and states this is *"primarily driven by increased import competition in beef."*

49. The impact assessment suggests the UK-New Zealand trade deal could lead to a rise in UK wages of 18 pence a week in the long run.

50. Conversely, the EU has agreed in principle to a trade deal with New Zealand that would allow an additional 5,429 tonnes of sheepmeat to be imported duty free into the EU in year one of the agreement.

51. The equivalent figure for the UK in the deal announced in February 2022 is 35,000 tonnes. Per head of population, this is more than forty times higher than what has been agreed by the EU.

52. In year seven of the EU and UK deals, the UK would allow seven times more sheepmeat into the UK duty free than the EU would.

53. Ultimately, the UK deal with New Zealand allows unlimited amounts of sheepmeat to be imported, while the EU has set a strict cap on imports.

54. For other commodities such as beef and dairy products, the EU's deal with New Zealand provides similar levels of protection for EU farmers and food producers, while the UK deal is extremely liberal and ultimately opens the door to unlimited duty-free imports.

55. Furthermore, the population of New Zealand is just 5 million, compared with a UK population of 67 million, meaning the UK is a far more attractive market for New Zealand than New Zealand is for the UK.

56. Given the alarming statistics and figures outlined above, the FUW maintains that the UK Government should withdraw the Trade (Australia and New Zealand) Bill, or at the very least, introduce safety nets for the food and farming sectors as it progresses through the amendments stage in Parliament.

## ii. Good relations should be restored with the UK's nearest neighbours

57. The UK's nearest neighbouring countries, the majority of which are EU members, are members of the most stable trade partnership in the world, and have acted rapidly to secure European food security in the face of threats, the likes of which have not been seen since the Second World War.

58. The UK Government is seeking to implement policies through a unilateral change in law that the overwhelming majority of commentators believe break International Law, threaten relationships with such countries and both imports to and exports from the UK.

59. Working closely with those countries represents the most practical, carbon-friendly way of restoring UK food security while protecting the Welsh and UK food and farming industry.

60. The UK Government's Northern Ireland Protocol Bill is designed to allow changes to the UK-EU Free Trade Agreement that will undermine UK food security by compromising the UK's relationship with its nearest neighbours, and may also trigger a trade war with such countries at a time when cohesion is essential.

61. In 2021, exports to the EU accounted for 59.8% of Welsh exports compared with 49.2% for the UK.

62. Prior to the Covid-19 pandemic, around three quarters of all Welsh food and drink exports were destined for the EU.

63. Over a third of sheepmeat produced in Wales is exported to countries outside the UK. Of this, more than 90% is exported to the EU.

64. In 2021, Welsh food and drink exports were worth a total of £641 million, including £210 million worth of red meat.

65. This is despite the fact that volumes of Welsh meat and dairy exports fell by 23% in 2021 compared with pre-pandemic levels, due primarily to trade barriers resulting from the UK-EU Brexit deal.

66. UK food and drink exports fell by 6% in 2021 compared with pre-pandemic levels, with meat and dairy product exports falling by 15% and 24% respectively over the same period, also due primarily to trade barriers resulting from the UK-EU Brexit deal.

67. The UK Government's Northern Ireland Protocol Bill is designed to allow the UK to unilaterally change the UK-EU Free Trade Agreement.

68. Experts have warned that such a move would represent a blatant breach of international law and as such the EU has instigated legal proceedings against the UK regarding the Bill and is threatening sanctions against the UK likely to raise barriers for Welsh exports to the EU.

69. In June 2022 the FUW wrote to the Prime Minister highlighting that:

- *The particular impacts of the Northern Ireland Protocol were very clear and fully understood by those who took the time to read the EU withdrawal agreement*
- *While the problems caused by the protocol have come as no surprise, these are accompanied by significant advantages for the majority of consumers and businesses in Northern Ireland - advantages that are not enjoyed by those in Wales and other parts of Great Britain*
- *This appears to be evidenced by the fact that Northern Ireland's economy is outperforming that of Great Britain; that numbers of Northern Irish manufacturing jobs are growing four times faster than the UK average and that Northern Irish trade bodies are overwhelmingly supportive of the Northern Ireland Protocol*
- *The FUW believes there is scope to improve the Northern Ireland Protocol, but the UK Government has shown a reluctance to genuinely negotiate changes on the basis of the improvements proposed by the EU in October 2021 - improvements that would reduce as much as 80% of the GB-NI border*

*checks and would be accompanied by a change to the regulations that apply in all 27 EU countries in order to accommodate such improvements.*

70. The UK Government must halt all unilateral actions in relation to the Northern Ireland Protocol and re-enter negotiations with the EU - which has already offered numerous concessions in relation to Northern Ireland - and restore relations with neighbouring countries in order to protect UK food security.

## iii. Time for a renewable energy revolution

71. The UK's reliance on and exposure to global fossil fuel markets has been laid bare by the impacts of the pandemic and Russia's war on Ukraine. Vast amounts of renewable energy are produced on Welsh farmland, but businesses have only tapped into a fraction of what is possible.

72. In 2020, nearly 23% of the EU's oil and petroleum imports came from Russia.

73. Russia is also the world's largest natural gas exporter, followed by the USA and Qatar. It previously accounted for around 45% of EU gas imports.

74. Supplies of natural gas to the EU from Russia were 30% lower in the first quarter of 2022 compared with the same period in 2021.

75. Russian gas imports made up less than 4% of UK gas imports in 2021. However, the knock on effect of sanctions and global undersupply on UK prices are apparent.

76. Energy market intelligence company Cornwall Insight has suggested energy prices in 2022-23 could be almost 170% higher than in 2019-20.

77. Energy production using fossil fuels is second only to business in terms of contributions to Wales' greenhouse gas emissions, and is the second highest contributor in the UK after transport.

78. In 2020, greenhouse gas (GHG) emissions from the energy supply sector represented 21% of total UK GHG emissions, with the main source of emissions from this sector being the combustion of fuels in power stations. This compares with 24% from surface transport, 18% from business and 11% from agriculture.

79. In Wales, energy supply represented 25% of total emissions, compared with 26% from business, 16% from agriculture and 15% from transport in 2020.

80. The UK Government has committed to producing 95% of the UK's electricity generation using low-carbon sources by 2030, and to fully decarbonise the sector by 2035 - including a five-fold increase in solar - and in 2017, the Welsh Government announced a target of meeting 70% of Wales' electricity demand from Welsh renewable energy sources by 2030.

81. Between 1990 and 2020 the contribution of energy supply to the UK and Wales' GHG emissions fell by 70% and 55% respectively, with renewable energy produced on farmland playing a central role in these reductions.

82. Feed in Tariffs introduced in 2010 were instrumental in more than doubling the proportion of renewable electricity consumed in Wales to 50% during the period to 2018.

83. However, since Feed in Tariffs were removed in 2019, on-farm investment into renewable energy production has slowed down significantly.

84. The removal of business rate relief for privately-owned hydropower projects has also served as a significant barrier to investment, while obstacles such as landscape designations and disproportionate regulations continue to block developments.

85. The Welsh Government's business rates relief scheme, which previously provided more than £1 million to 52 privately owned hydropower projects, came to an end on 1st April 2021, leading rates to rise by nearly 1,000%.

86. Both the UK and Welsh Governments must step up efforts that remove barriers and restore incentives in order to boost agriculture's contribution to the production of renewable energy and UK energy security without undermining food production.

## iv. Rethinking domestic agricultural and rural policies

87. The UK's departure from the EU has led to the UK Government reducing spending on food and agriculture by hundreds of millions, threatening food security by undermining farm businesses and the thousands of upstream and downstream businesses and jobs that rely on farm production. Meanwhile, the refocusing of agricultural policies on environmental issues threatens to eclipse the importance of maintaining food production.

88. The UK Government's failure to replace EU agriculture, rural development and structural funding breaks a key promise made by those who lobbied for the UK to leave the EU, and undermines the farmers and food producers who provide three quarters of the food the UK relies on.

89. The UK budget and spending review announced on 27th October 2021 revealed that an average of £300 million a year would be allocated to Wales for agriculture and rural development over the next three financial years.

90. This is £37 million less than the budget allocated in 2019 - a year in which the Conservative manifesto pledged to *"guarantee the current annual [Common Agricultural Policy (CAP)] budget to farmers in every year of the next Parliament."*

91. Had the UK remained in the EU and Wales continued to receive the same proportion of the CAP budget, the average annual Welsh allocation of CAP funding would have been around £334 million (based on previous allocations and the £0.89/€ exchange rate) in addition to any unspent funds.

92. This means that Welsh agriculture will be around £248 million worse off by 2025, almost the equivalent of a year's worth of direct (Pillar 1) payments.

93. Such cuts will undermine family farms, the rural economy and rural employment at a time of extreme uncertainty.

94. The UK Government must restore such funding to what it would have been had the UK remained a member of the EU, in order to bolster food security by supporting farmers and food producers.

95. Furthermore, proposed agricultural and rural policies and funding mechanisms have increasingly become focussed on environmental benefits, eclipsing the importance of maintaining food production. Food production and the protection of farming businesses and rural communities must be placed on an equal footing with environmental objectives in order to maintain and enhance UK food security in an environmentally sustainable manner.

96. The latest proposals for a Sustainable Farming Scheme (SFS) in Wales have moved on leaps and bounds, reflecting the concerns the FUW has raised in response to previous proposals since 2018.

97. This includes a shift away from a scheme based entirely on payments for environmental outcomes to a scheme which recognises the need for a baseline payment in order to underpin Welsh food production.

98. It is also positive to note that the first draft of the Agriculture (Wales) Bill sets out four Sustainable Land Management objectives which include the production of sustainable food and the sustainability of the Welsh language.

99. However, while the draft list of purposes for which support can be provided is not exhaustive and can be amended, removed and added to, it is concerning that neither the economic well-being of farming businesses nor the Welsh language are explicitly included.

100. It is essential that proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital investment in the industry are included as defined objectives of the Agriculture (Wales) Bill. Without such underlying principles, the other objectives of the Bill and SFS will be undermined or completely negated.

101. In England, the transition away from direct payments and to the Environmental Land Management Scheme - a 'public money for public goods' type scheme which is

almost identical to what the Welsh Government was proposing in 2018 - has already started.

102. A report entitled ‘Assessing the impact of Agricultural Transition in Cornwall & the Isles of Scilly, Devon, Dorset and Somerset: Research to inform future planning’, was published by Gloucester University’s Countryside and Community Research Institute (CCRI) on 6th May 2022.

103. The conclusions of the report are particularly pertinent to Wales as before the English transition started in 2021, the BPS budget in the Great South West (GSW) (the region studied) region (£242 million) was almost identical to the BPS budget in Wales (£238 million), and there are also a number of similarities between the farm structures and types of agriculture carried out in many parts of Wales and in the GSW region.

104. The report concluded that “*the revenue coming into farming is at least partly spent in the rural economy, assuming that 25-50% of the £883M [the loss to the GSW region by the end of 2027] is spent on the businesses supporting the farming sector this is a hit of between £220-440M in the next 5 years for feed merchants, machinery retailers, contractors, vets, solicitors and many others. This too will reduce their own spending power in the rural economy and so the impact of the agricultural transition goes on.”*

105. The FUW has maintained since the Brexit referendum that future agricultural and land use policies must strike a balance between the economic sustainability of farming businesses, food production and the environment.

106. In its response to Defra’s February 2018 ‘Health and Harmony’ proposals for agricultural reforms in England, the FUW stated that *“...little more than lip-service has been paid to the wellbeing of individuals, farming families, rural businesses and the rural and wider economy, as well as others involved in agricultural and food supply chains...we oppose any intermediate or long term plans to reduce direct payments to zero in the absence of the introduction of properly investigated policies which will mitigate the otherwise severe consequences of abandoning direct support for family farms and rural businesses.”*

107. However, recent reports suggest that Defra is now rethinking its plans for the ELM scheme *"given the pressures on farmers, and the government's aims of boosting food security and economic growth”* and is considering the introduction of some form of area based payment.

108. It is nevertheless concerning that it’s taken until now for Defra to recognise the importance of underpinning farming businesses, rural economies and food production with some form of stability payment.

109. Future agricultural support and land use policies across the UK must not result in divergence and unfair competition between businesses.

## v. Financial support for critical industries

110. The importance of a financial support mechanism to the agricultural industry - such as the Basic Payment Scheme (BPS) - is clearly shown by the fact that around 60% of Welsh farm businesses rely on it to generate a profit, and that the proportion of household incomes spent on food has fallen from 40% to 10% over the past 70 years.

111. Nevertheless, the need for further intervention from governments at times during that period and particularly more recently has been seen. For instance, the Welsh Government offered £10,000 to dairy farmers who had lost more than 25% of their income due to the immediate impact of the global pandemic and the closure of the food service and hospitality sectors in 2020. While it didn't fix the whole problem, it was very much a step in the right direction to protect hard hit Welsh farms.

112. While UK exports to the EU have by now returned to pre-Brexit levels for some products, it does not take away from the fact that the FUW is still calling for a level playing field when it comes to the checks and bureaucracy on UK imports and exports, and for the UK Government to implement the above policies in order to avoid further economic pressures. Such moves would reduce the pressures on UK businesses and potentially avoid the need for further intervention measures in future.

113. However, the UK Government must also recognise the need for intervention in response to global events which are out of their hands. Even before the Russian invasion in Ukraine, the UK was experiencing soaring diesel and fertiliser prices due to a lack of workers for many reasons.

114. During that time, the UK Government provided financial support to CF Fertilisers' Billingham plant allowing it to continue to operate while global gas prices remained high - ensuring continued production and that the food industry continued to have access to supplies of carbon dioxide. Private storage aid measures for the pig industry in England were also introduced due to backlogs in the supply chain.

115. In light of the conflict in Ukraine, the FUW has grave concerns in regards to the current prices of fuel, fertiliser and feed, and the repercussions current input costs are going to have on the ability for Welsh and UK farmers to produce fodder ahead of the coming winter and years to come.

116. In order to maximise crop and fodder production this year and to maintain UK food security, the FUW is calling on the UK Government to:

- Reduce VAT on fuel/red diesel to aid food production
- Consider reducing all other tariffs that directly or indirectly impact on food production - for example tariffs on steel
- Waive rules on GM ingredients for animal feed

- Step up the work of the Market Monitoring Group such that it is proactive and forward looking - rather than looking back over recent quarters - and to publish regular monthly reports
- Fully appreciate the dangers farmers face not only now but over the coming months and years in terms of food production and security

117. Inflation in the costs of energy and other key inputs throughout our food supply chains is adding additional pressures for businesses that are critical in terms of food production, leading countries across the EU to provide financial assistance and incentives for businesses such as food processors and fertiliser manufacturers.

118. On 23rd March 2022, the European Commission adopted a Temporary Crisis Framework to enable Member States to intervene to support their economies given the impacts of Russia's invasion of Ukraine.

119. The Framework allows Member States to:

- Grant limited amounts of aid to companies affected by the current crisis or by the related sanctions and counter-sanctions
- Ensure that sufficient liquidity remains available to businesses
- Compensate companies for the additional costs incurred due to exceptionally high gas and electricity prices
- Such interventions may include direct grants, equity injections, selective tax advantages and advance payments of up to €290,000 (£243,311) to a company active in the primary agricultural sector

120. The Framework is part of a broader suite of measures that include:

- Exceptional aid
- Private storage aid for pigmeat
- Flexibility in the implementation of CAP greening provisions and
- Increased advances of direct (farm) payments
- The distribution of 500 million euros to help farmers and allow them to grow crops on fallow land to mitigate food price spikes and potential shortages resulting from the war
- Reducing the blending of biofuel - usually made with crops like cereals, vegetable oils and sugar - in road fuel as a way of easing pressure on supply of food and feed commodities

121. In France:

- Businesses across the supply chain have benefitted from significant subsidies to help deal with gas prices and other impacts as part of a €7 billion (£5.87 billion) support package approved by the European Commission
- Fertiliser manufacturers will receive up to €50 million (£421.9 million)
- Individual farm businesses will benefit from up to €35,000 (£29,400)
- €400 million (£336 million) of aid will be provided to livestock farms to subsidise the inflated cost of animal feeds

122. In Poland, the European Commission approved a €838 million (£703 million) package that will *"...enable Poland to support the farmers affected by the input costs increase caused by Russia's invasion of Ukraine and the related sanctions."*

123. Eligible beneficiaries will be entitled to receive aid up to €107 (£90) per hectare of arable land and up to €53.5 (£45) per hectare of grassland and pasture up to a maximum of €5,350 (£4,491) for arable land and €2,675 (£2,245) for pasture,

124. In Germany, the European Commission approved a €20 billion package to support German companies *"...active in all sectors in the context of Russia's invasion of Ukraine."*

125. In the UK, Business Secretary Jacob Rees-Mogg recently announced the Energy Bill Relief Scheme which aims to provide help for businesses and other non-domestic customers over the coming winter by setting wholesale prices expected to be £211 per MWh for electricity and £75 per MWh for gas.

126. In January 2022, the FUW warned that the situation for businesses was already dire, with a letter to the then Secretary of State for Business, Energy and Industrial Strategy, Kwasi Kwarteng, highlighting that dairy farmers in Wales were already facing increases in energy costs of up to £1,000 a month, on top of huge pressures due to increased costs for inputs such as fertiliser.

127. CF Fertilisers UK, a branch of CF Industries which produces 60% of Britain's carbon dioxide supplies, recently announced it would temporarily halt ammonia production at its Billingham Complex due to the massive hike in production costs, having already announced the closure of its Ince site in June and having received emergency government interventions in 2021.

128. It will take years for businesses to fully recover from the ongoing energy crisis and current inflation rates, and now that this support package has been announced, the FUW urges the UK Government to extend the price caps for businesses beyond March 2023 when it reviews the scheme.

129. While this announcement of support for businesses and other non-domestic consumers is welcomed, the support provided in the UK compared with that in the EU has been negligible, risking a reduction in capacity to produce key commodities and increasing exposure to current global shortages.

130. The UK Government must act now to relieve pressures on the food supply chain by providing direct financial assistance and tax breaks for industries which are critical to UK food production and security.