

Environment Secretary speech at CLA Conference 2 December 2021

It is a real pleasure to be joining you today and to be able to address your annual conference in person after eighteen months of Covid restrictions and a pandemic that has caused huge challenges for countries right around the world.

Now we are embarking on a period of change in the way we support farming – free to pursue our own independent policies for the first time in half a century. I would like to thank the CLA for all of the support and advice that they have offered over the last few years. For the first time in decades, we have been able to directly involve farmers in co-designing our future policies so that we have the best chance of getting it right. From the CLA, to the NFU and the TFA and indeed farmers who might not be members of any group.

My own family have farmed in Cornwall for six generations. Farming families are at the heart of rural communities across the land. Over the years they have shown considerable resilience. They have deep roots in their local parishes. Not only are they a key building block of the rural economy but they also provide the social capital that underpins rural communities. Whenever there is heavy snow or a flood, farmers are there to provide a helping hand.

Successful and profitable agricultural production is also crucial to the continued success of our food manufacturing industry. The food industry has an important role to play in the government's levelling up agenda. There is a food manufacturer in every parliamentary constituency in the UK – except Westminster. The food industry is bigger than the automotive and aerospace industries combined and more evenly dispersed across our country. These manufacturers provide employment opportunities in areas where there might otherwise be deprivation. They offer apprenticeships and opportunities for the next generation; they invest in research and development and they give local areas a sense of pride and identity. Whether it's Cornish Clotted Cream, the Cornish Pasty, Melton Mowbray pies, Stilton Cheese and countless others recipes in every part of our country. None of our food manufacturers could succeed without the farmers who supply them with high quality produce.

Farmers and food manufacturers also have a vital role to play in delivering our food security. The pandemic has taught us that domestic food production matters. The late 20th century view that agriculture was a primary industry, and that it was somehow inevitable that we would ultimately rely more on imported food was always wrong and must be re-appraised. There was a point during the early stage of the pandemic when there were genuine concerns that the world might turn in on itself and put in place export bans. Although thankfully that episode did not come to pass, the risk focused minds in Whitehall. Of course, trade will always be an important component of food security too. Weather events mean there is always a risk of crop failure and

you need to be able to move goods around. But those countries in the world that import all or most of their food tend to be characterised by higher prices and less consumer choice. Hardly a model to follow.

More importantly, climate change is a new factor which changes the context considerably. One of the first effects to present itself is likely to be water scarcity. More specifically, the availability of agricultural land with access to water. Some parts of the world where crops can be grown today, may find it harder to grow crops in future. We also have a growing world population set to rise to 9 billion by the middle of this century. The temperate regions of the world will therefore need to produce food for markets both at home and abroad and the market signal for them to do so is likely to be strong.

Much has been said about the state of the UK's self sufficiency in the context of reforming UK agricultural policy, but it is also often misunderstood. Firstly, our production to supply ratio remains high judged against historical levels. It was running at just 30 percent in the late 19th century and little more than 40 percent before the Second World War. Our country learnt from that mistake, so the ratio increased in the post-war years, peaking at 75 percent in the late 80's as production subsidies and intervention schemes drove over-production. Some of the change since the late twentieth century has been down to changing consumer trends. Rice consumption in the UK has increased fivefold since the early 1970s since we can't grow rice, it is hardly surprising that this should contribute to an increase in some imports. If you look at the foods we can produce, then our production to supply ratio remains healthy at over 70 percent and has been stable since the turn of the century.

We must also question whether successful domestic production is linked to state intervention or subsidies as some contend. Some of the sectors where we have greatest self-sufficiency are often those that were not traditionally subsidised and still aren't. We are close to 100 percent self-sufficient in poultry, eggs, carrots and swedes. Sectors like soft fruit have seen a trend towards greater self sufficiency with an extended UK season displacing imports. For most of these successful sectors, Direct Payments are a largely inconsequential part of their business model.

There has also never been a direct correlation between the total area of land farmed and our gross agricultural output. In 2017, almost 60% of agricultural output came from just 8% of farmers operating on just a third of land in England. Our pig, poultry and horticulture sectors account for just 4% of agricultural land use in England but generate around 30% of agricultural output. In Scotland, the fresh produce sector uses just 1 % of farm land but accounts for 16 % of agricultural output.

Of course, there are other sectors just as important to our food supply that need more land and have traditionally been subsidised, but even here the picture is less clear than some assume. We are 86% self sufficient in beef, fully self sufficient in liquid milk and produce more lamb than we consume. I am often asked whether sheep farmers could continue without those Direct Payments. However, we estimate that approximately 40% of sheep farmers don't

get the payment anyway. Their landlord pockets the BPS and charges them a rent for a grazing licence on top. I have met such farmers. Often young entrepreneurs who bring fresh thinking to the sector and do so without any subsidy. And they often have very little sympathy for the current system that subsidises land ownership and often is a barrier to them getting access to more land.

Success in farming requires attention to detail. That is why the correlation behind the size of a holding and their financial performance is also weaker than some assume. Analysis suggests that in virtually every sector of UK agriculture, the top 30% of producers measured by their gross margin can compete with anyone else in the world. Whilst scale has some relevance to the cereals sector given the cost of capital required, in most other sectors, many of the businesses within that top 30% are smaller, family run enterprises which have high levels of technical proficiency and who score well by showing attention to detail.

So there is little correlation between successful food production and area based subsidies; there is every reason to have confidence in our ability to compete internationally; every reason to believe in the future of the family farm and no reason why we can't produce the food we need while accommodating some land use change.

It is for all these reasons, that Direct Payments, subsidising land ownership or tenure cannot, be right for the longer term. It doesn't even support food production if that were the aim. In fact, those who advocated it fifteen years ago were explicit in wanting support decoupled from food production and also envisaged that area payments would be a transitional arrangement to be removed altogether by 2020.

However, in the last twenty years, the appreciation of the scale of the challenge we face on issues like biodiversity loss and climate change has grown enormously. These new challenges mean we must seize this opportunity to establish a different system of rewards and incentives in agriculture. That is why this government has chosen, not to remove the budget, but to re-purpose it.

I mentioned earlier that I come from a farming family. Advice was passed down the generations. My Great Grandfather, George Henry Eustice, had an outlook forged during the difficult inter-war years. It led him embrace an ethos very much rooted in self-reliance. He used to say "when the man from the Ministry tells you he is going to pay you to produce something, it's time to get out!"

Now that I am, I suppose, the man from the Ministry, the scepticism of my forefathers does weigh on me. I sometimes hear it said that I must tell farmers what they need to do. Since the war farmers have been told to produce more through production subsidies; then told to produce less through quotas; they have been told to drain their land; then told to put their land in set aside and then subjected to a whole regime of pernicious cross compliance rules with automatic penalties imposed under the last iteration of the Common Agricultural Policy.

And an important part of the approach we are trying to take now, is to break that cycle. Not to tell farmers what to do, but instead to support the choices that individual farmers make. The future policy will not be about a single subsidy payment with lots of rules attached which is then used as an instrument of top-down, bureaucratic control. The new policy will be optional, but open to all. It will be modular. Farmers will be free to choose which elements work for them. In some landscapes and in some sectors, some businesses may decide to embrace it extensively. For others, the scheme may be a smaller part of their business model, but they may make space for nature on less productive parts of their holding. It is not the role of the government to tell farmers what to do, but rather to offer market-based payments to willing participants in order to incentivise the uptake of schemes on the scale required to deliver the policy outcomes that the government has set itself.

But while it is not for me to tell an individual farmer what to do, I accept that we need to be clear about the policy outcomes we seek. These are to halt the decline in species abundance by 2030; to reduce our greenhouse gas emissions; to plant up to 10,000 hectares of trees per year in England; to improve water quality; to create more space for nature in the farmed landscape; and to ensure that we have a vibrant and profitable food and farming industry which supports the government's levelling up agenda and helps safeguard our food security. We also have a responsibility to ensure that we do not over complicate or over-engineer schemes.

We have already announced initial plans for our Farming Investment Fund which will support farmers investing in new equipment or facilities to reduce their costs or add value to the food they produce. We all know that economists often talk of "productivity" in the abstract, but that is not always very helpful in an applied context. In the real world it is about profitability and the aim of these funds is to support farm enterprises in the pursuit of higher profit margins.

The conventional post-war view in farming has been that productivity essentially means increasing inputs to drive greater volumes of production from the same unit, but many farmers are starting to see that there is more than one way to increase profits. Securing added value and a higher price for your produce or reducing your inputs and costs increases profit margins, reduces risk and increases the resilience of the enterprise. It accords with the second piece of advice handed down the generations from my great grandfather which was – if you want to make money in agriculture, you need to keep the salesmen on the other side of the gate.

Today, many farm businesses are already in the process of reappraising their approach and moving towards more extensive and regenerative farming techniques. Earlier this year, I attended the annual Groundswell event which showcases some of the techniques increasingly being developed by those pioneering regenerative agriculture. In some ways, these are not new techniques, but simply a rediscovery of a lost art, fusing it with the best technology available to us today to create a different sort of template for agriculture.

Paul Cherry, the organiser, runs a 2,500 acre arable farm with beef. He has been using a no till system since 2010 and has adopted herbal lays and mob grazing techniques. He uses no fertilisers and veterinary interventions for his cattle are minimal.

In Gloucestershire, Jake Freestone farms 1,600 hectares. He has also embraced a no till approach and uses cover crops extensively to protect his soils. He has reduced his fertiliser use considerably, no longer uses insecticides or seed dressings and is reducing his use of fungicides. He has seen biodiversity increase dramatically. There are other arable farmers who are embracing Integrated Pest Management with renewed vigour with the development of new techniques for instance using companion crops to assist in pest and disease control.

Some dairy producers are starting to realise that rather than making ever higher inputs in the pursuit of ever more yield per cow, it might be better to target a reduction in inputs, accepting more forage-based production systems, a lower yield per cow annually but a longer life of the cow overall. Others such as James Robinson in Cumbria have placed great emphasis on hedgerows and trees. He has found that sensitive hedgerow management provides shelter for cattle, extends the grazing season and also promotes nature's recovery on his farm.

Many beef and sheep farmers are starting to focus on maximising value from a more extensive system of production. Examples include Jilly Creed, a beef farmer in the Westcountry and Neil Heseltine, a sheep farmer in the Yorkshire Dales. There is growing public interest in pasture-based production and the provenance of meat, which producers are harnessing to add value.

For some it will mean maximising food production from the most productive soils, but in new ways such as Polybell Farm, which covers 5,000 acres straddling Nottingham, Lincolnshire and Yorkshire and has been developing a totally new way of addressing their low-lying peat land to ensure both resilience and environmental benefit. Many of the country's leading producers of fresh produce on our grade one fen soils are starting to think creatively about how they can manage their most valuable asset in a more sustainable way.

Finally, there are vegetable growers who are reducing their herbicide use by returning to the use of mechanical hoes on row crops, reducing their reliance on fungicides by breeding natural resistance and using strip tilling. Riviera Produce, a major brassica grower in Cornwall found that embracing strip tilling for row crops caused the earthworm population to treble in just three years and by using fungicides more sparingly, the natural protective waxes on the leaves of crops developed better. If I might say so, Cornwall is famous for its inventive spirit and Riviera Produce are also part of a project pioneering a new technology that captures and bottles methane gas from slurry stores on dairy farms, and then uses it as a tractor fuel replacing expensive diesel. And they already have a tractor operating on the farm fuelled in this way.

Our policies will support and incentivise all of these farmers. Those who

embrace these sorts of sustainable practices will not only see the agronomic advantages inherent in them and the reduction in their costs, but they will also qualify for payments and incentives for the benefits their approach delivers for nature and the contribution this makes towards the government's policy objectives.

Today we are publishing more detail on our new Sustainable Farming Incentive for next year. It focuses on soil health because the health of our soils is critical to improving both biodiversity, water quality and the production of a healthy crop. We will pay a more generous payment rate than previous EU schemes. There will be fewer rules and more trust. We will never address the complex environmental challenges we have unless we incentivise changes across most of the farmed landscape and that is what we aim to do.

We are intending to review and increase Countryside Stewardship payment rates from January next year. The number of farmers applying for a CS agreement increase by 40% this year as people start to focus on the future. For those that want to start making decisions now, look again at Countryside Stewardship because it offers a great stepping stone to the new schemes. We will ensure that farmers in Countryside Stewardship next year can convert to our new schemes from 2024 onwards. I will set out further details of the successor scheme, Local Nature Recovery in the New Year. Its focus will be on making space for nature in the farmed landscape. It will pay farmers for using less-productive areas of their farms to create habitats and support biodiversity and water quality and it will also support collaboration between groups of farmers.

Our third scheme – Landscape Recovery – will pay landowners who want to take a more radical and large-scale approach to producing environmental outcomes through land use change. And the reality is that some land use change will be necessary to reach the targets we have set for tree planting and for peatland restoration and I will also be setting out more detail on this scheme in the New Year.

Of course, there are other factors that will affect farm profitability including trade. For the livestock sector, maximising value can depend on carcass balance and on being able to get access to a higher price for some cuts in overseas markets. There are opportunities for British agriculture in many Asian markets including Japan and India; opportunities for the Dairy industry in Canada and the US; and opportunities for the sheep sector in both the US and the Middle East. We have been working with the AHDB on opening access to these markets. I think the AHDB do some fantastic work on market access for agriculture and we want to support their good work further. That is why this week the Prime Minister has announced ten new agricultural trade attaches to work in these markets to open access and further our objectives.

So, in conclusion, this is a period of change and it is therefore understandable that there will be some apprehension but there is also a great opportunity ahead. A chance to have an industry which is more independent and financially resilient. Where the petty, bureaucratic rule book becomes a thing of the past. Where a future generation of farmers feel the satisfaction of seeing nature return to their land; seeing the health of their soils

improve – and their profitability improve with it. If we can get this right, then a decade from now there will be a new generation of farmers wanting to get involved and the rest of the world will want to come here to see how it was done. Thank you.