

MEETING OF THE PARLIAMENTARY AND SCIENTIFIC COMMITTEE ON MONDAY, 14TH JUNE 2004

Delivery by Government of rural policy requires fundamental overhaul and Lord Haskins report to Defra contains 33 recommendations that could have a major impact on the manner in which the English countryside is managed in future.

This is one more issue that farmers need to consider as they struggle to restore farm profitability and adapt to the ever-changing needs of the marketplace as they take the industry and their businesses forward.

Managing the Countryside in the Future

Lord Haskins



Rural policies are undergoing more radical change than at any time in the past fifty years. Since 1947 British farmers have been guaranteed prices for most of their outputs and since Britain joined the Common Market in 1973, the European Union (or the EEC as it was then) has bought in surpluses to market needs at favourable prices and then disposed of these surpluses either within or outside the EU, at very reduced prices. Furthermore European farmers have been heavily protected from competitive imports through a range of protectionist barriers.

All this is about to change. The system of subsidising farmers through guaranteed payments for most of their products is about to be abandoned in favour of direct payments, unlinked to the markets. This will create more competitive markets and incentivise farmers to stop producing a crop if it is uneconomic, whereas at present they have to produce in order to earn the subsidy.

Furthermore, negotiations at The World Trade Organisation, (WTO) seem likely to lead to a ban on the dumping of surpluses at “below cost” prices into global agricultural markets, followed by a progressive reduction of tariff barriers to restrict imports.

These changes will have a profound impact on British and European farming. They will force farmers to be much more “market conscious” and therefore to be much more competitive. Farmers will have to assess the economic viability of a crop depending upon the productivity of their land (soil, climate and efficiency) before going ahead. Supermarkets and other buyers of farm produce will be less certain about the continuity of supply and may have to renegotiate more attractive terms with farmers in order to ensure product availability.

As a result total output from British farms is likely to drop, as farmers producing crops on unsuitable soil,

with unfavourable climatic conditions and managing small and uneconomic holdings, will choose to go out of production. But despite some reduction in output, British farmers will still be supplying a much larger share of the domestic food market than they were 50 years ago.

Small British farmers can learn from their counterparts in France who have developed a strong long-term position in local markets. And larger British farmers who have been reluctant to co-operate with each other, have much to learn from their market driven co-operative neighbours in Denmark, Holland and France.

The EU has now embarked on policies to deregulate and liberalise agricultural markets, and the scale of this progressive process is momentous.

Alongside this trend there is a rising level of EU interest in the rural/agricultural environment.

Much damage to biodiversity has resulted from the practices of farmers pursuing market subsidies and the EU is determined to tackle this problem by a mixture of regulation and incentives. Regulations restrict the use of agrichemicals which can be environmentally damaging, tackle pollution arising from, for example, silage effluent which can affect the quality of river water, and outlaw waste disposal practices which harm the soil, water and the atmosphere. Existing levels of regulation will rise sharply, especially as the world gets more alarmed about Climate Change and the factors causing it. Farming, and particularly, livestock farmers are significant contributors to atmospheric pollution through emissions of methane and CO₂.

As part of the radical review of the Common Agricultural Policy the EU plans to allocate much of the money previously used to provide agricultural subsidies as incentives to farmers to carry out practices which sustain and enhance the environment. Farmers will be paid to cultivate fields so that they support rather than jeopardise biodiversity. Good husbandry practices will be rewarded. If farmers fail to comply with basic standards of environmental management they could lose the direct payments made to them under the new CAP.

The British Government made a number of institutional changes in 2001, to reflect these radical changes in rural policy. The old Ministry of Agriculture, Fisheries and Food, whose *raison d'être* was to support the interests of farmers, fishermen and the rest of the food industry, was merged with the environmental activities of the Department of the Environment, Regions and Transport. The new department was also given a broader remit for rural economic growth and social stability. The

department for the Environment Food and Rural Affairs, Defra, came into existence.

In the autumn of 2002 I was asked to carry out a review of the way the new Department delivered its wide and radically changing remit, as the CAP reforms crystallised. I found that the existing approach to policy delivery was in a mess, with two different Whitehall cultures – farming and the environment – coming together under one roof. A complex network of delivery arrangements has been allowed to grow over a number of years, has a plethora of initiatives and schemes aimed at the countryside. The new department suffers from the chronic Whitehall over-centralised approach to delivery, where the policy makers also take far too much responsibility for the delivery functions. This leads to vast bureaucracies with limited accountability which confuse and frustrate those on the delivery end, result in extensive delivery failures and serious waste of taxpayers' money.

This already unacceptable situation will be exacerbated as the radical reforms of the CAP are introduced. Indeed, without widespread changes to the way Defra goes about arranging delivery of its new and existing policies there is a serious risk of disastrous and expensive delivery failure, with many of the necessary and worthwhile policy objectives being put in jeopardy.

My report was published in November 2003 and the Government fully endorsed it in July this year. The main thrust of the report is as follows:

The need to separate, as much as possible, responsibility for policy making from that of policy delivery. In today's centralised system where policy makers prevail, problems of delivery are insufficiently taken into account or even recognised, leading

to widespread delivery shortcomings. In today's muddle there is poor accountability.

As part of this objective, the need, as much as possible, is to devolve the delivery of policy away from the centre and into the regions and local authorities. This will improve accountability and ensure that the delivery of policy reflects and responds to local needs. More flexible, speedy and cost effective services should result.

The need to strengthen the management of the environmental agenda by creating a new integrated Land Management Agency to absorb the existing responsibilities of English Nature, and the environmental activities of the Rural Development Service and the Countryside Agency. This new agency would be responsible for delivering the emerging agro/environmental aspects of the reformed CAP.

The need to make the Regional Development Agencies and Local Authorities much more accountable for the delivery of the economic and social rural agenda.

The need to rationalise and simplify the network of rural agencies and programmes to make them more accessible to the people in the countryside, to reduce bureaucracy and provide better value for money for the taxpayer.

The Government has a daunting agenda; to deliver the reformed Common Agricultural Policy, to balance sustainable farming with a sustainable environment, to help the countryside and farming in particular to become less reliant on state subsidies, to satisfy the frequently conflicting expectations of people in the countryside, to manage a period of great economic and social rural change, to modernise the delivery network, to decentralise and provide reasonable value for the taxpayer.

Quite an agenda!