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HOUSE OF COMMONS

LONDON SW1A 0AA

To: All Conservative MPs

12 September 2018

Dear colleague,

**AGRICULTURE BILL**

On Back British Farming Day, the Government has introduced its Agriculture Bill into the House of Commons. For nearly fifty years the Common Agricultural Policy (CAP) has set the priorities for our national farming at a European level. This is a momentous opportunity to take back control of the policy levers and liberate our farmers to continue their already great work of protecting our countryside while also producing premium food that’s the envy of the word.

For too long, our farmers have been held back by the stifling rules and often perverse incentives of the CAP. The lion’s share of money has been allocated based on the size of individual land holdings, not the contribution farmers make to society. These payments are skewed towards the largest landowners and are not linked to any specific public benefits. The top 10% of recipients currently receive almost 50% of total payments, while the bottom 20% receive just 2%.

Under the CAP, the complex rules governing how support is allocated have inhibited innovation and added bureaucratic costs to food production. And while we have been subject to the rules of the CAP our environment has suffered – valuable habitats have been lost, the number of farmland birds has suffered and the health of the soil on which future food production depends has been eroded.

Our new Agriculture Bill marks a decisive shift. It will reward farmers properly at last for the work they do to enhance the environment around us. It recognises the value farmers bring as food producers. It will help them grow more high quality food in a more sustainable way - and it will ensure public money is spent more efficiently and effectively.

At the heart of the Government’s proposal is a new system that pays public money for public goods – those goods from which we all benefit but the market alone does not provide. The Bill will allow us to devote public money to enriching wildlife habitats, preventing flooding, improving the quality of air, soil and peat, raising standards of animal welfare and planting trees to help manage and mitigate the effects of climate change – all public goods.

A new Environmental Land Management system will start from next year. The government will work together with farmers to design, develop and trial the new approach. Under the new system, farmers and land managers who provide the greatest environmental benefits will secure the largest rewards.

These changes will transform the agriculture sector and we are aware that farmers will need time and support to adapt. The Bill therefore includes a number of provisions to help farmers adjust. Specifically:

* There will be a 7-year agricultural transition, from 2021 to 2027, during which Direct Payments will be gradually phased down and the new system introduced.
* Powers will be returned to the UK Parliament to amend the CAP regulations, so that as we move away from them, we can set the rules that work for our farmers, strip out unnecessary bureaucracy and provide the certainty and smooth transition the industry needs.
* Farmers will have much greater freedom to spend Direct Payments as they see fit, by “de-linking” payments with the requirement to farm the land and allowing them to receive multiple payments in a lump sum. Some farmers could use the money to invest in their business without having to worry about bureaucratic paperwork. Others may choose to use the money to diversify their activities or even to stop farming altogether and use the payment to contribute to their retirement. This should increase the ease with which new entrants, and those existing farmers wishing to expand, could acquire land.
* The Bill contains a specific provision to enable government to provide financial assistance to improve agricultural productivity, supporting farmers to continue producing world-leading food. Targeted financial investment for research and development, such as precision farming, will help farmers to increase productivity and at the same time as reducing environmental impacts on our soil and water courses.

We are also using this opportunity of landmark domestic legislation on agriculture to go further and re-set the balance in the supply chain, supporting our farmers as food producers. The Bill will allow for:

* The collection and sharing of data relating to the agri-food supply chain in order to increase productivity, manage risk and market volatility, support animal and plant health and traceability, and support knowledge sharing on the importation of plants and upon plant pests and diseases.
* Aid to be provided in exceptional market conditions and to intervene and provide support farmers through significant market disturbances.
* New domestic powers to set regulations setting and amending marketing standards for agricultural products and regulations for the classification of carcasses by slaughterhouses in England.
* Promote collaborative working amongst growers by providing for a domestic system of recognition and oversight of Producer Organisations (POs) and exempting recognised POs from competition law.
* Protects producers and consumers from unfair trading practices by allowing the imposition of obligations on first purchasers of agricultural products in relation to contracts with producers.
* Enable the Government to meet international requirements to report to the World Trade Organisation process to comply with the agreement on agricultural support.

A majority of this Bill will deliver for the policy proposition we have set out for England. The Welsh Government and Department for Environment in Northern Ireland (DAERA) have identified this Bill as an opportunity and have asked us to make provisions until such a time as they bring forward their own primary legislation. By bringing back powers from the EU to Cardiff and Belfast, devolved administrations can design policies that meet the needs of their own farmers, foresters and consumers and the challenges of their uniquely beautiful landscapes.

Tomorrow we will publish our policy statement setting out how we will use the framework set out in the Bill. This is an ambitious package which sets the direction of travel for future agricultural policy. It resets the relationship between the farmer, the government and the market so that food production can be more profitable and it creates a basis for long-term income streams for public goods, contracted between the land manager and the taxpayer. It will also ensure we have a pipeline of talent to be the future custodians of rural Britain.

This is only the first step towards a brighter, better and greener future for farming and our countryside outside the EU.

With every good wish,



**MICHAEL GOVE**