

The UK should seize the Brexit moment to reform its food policies (and become a role model for other countries)

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Abstract

The UK, like most other countries, is facing severe food management problems which it is not taking seriously. Its food policies have led to the growth of unsustainable intensive farming systems – damaging soils, fresh water and biodiversity, and contributing substantially to greenhouse gas emissions. Its farmers would mostly go bust if they were not heavily subsidised by the EU. Food chain workers are at the bottom of the pay scale and often exploited. Consumers bin £17 billion worth of avoidable food waste each year. Worryingly, the UK is the fattest nation in Europe and will face massive future health burdens.

If Brexit really is to be Brexit, the UK could use its greater autonomy to embark on fundamental food policy reforms that would accelerate badly needed shifts to truly sustainable production systems and much healthier nutrition and lifestyles. Reforms would harness the huge purchasing power of food consumers to drive the necessary adjustments. The implied rise in food prices would be matched by an increase in social protection to safeguard the food consumption of the poorest families.

If the UK gets to grips successfully with its food management problems, its experience could inspire other countries, especially developing countries, to follow its example.

Introduction

This article is a sequel to one that we wrote under the title *Perhaps we should all pay more for our food*, published in *Agriculture for Development*, No 23. There, we set out arguments in favour of policies that encourage food price rises so as to harness consumer purchasing power to accelerate rural development and the necessary shift to more sustainable food production systems and consumption patterns. We noted the importance of associating

this with expanded targeted social protection programmes, with transfers to poor families being adjusted in real time for food price rises so as to assure their adequate nutrition.

In *Agriculture for Development* No 27, Professor David Colman neatly dismissed our arguments, claiming that “*the big questions for agriculture are not about prices*”. He also warned us that “*Successful policy design is complex and seemingly common-sense proposals are often destined to fail*”.

We are stubbornly returning to the theme, convinced that food prices – and farm subsidies – play significant roles in shaping food production and consumption behaviours. Interventions in food price formation therefore offer important opportunities for shaping how food is grown, eaten and wasted.

Recently the Director-General of the United Nations Food and Agriculture Organisation (FAO) has advocated similar approaches to food policies (FAO, 2016).

In this article, we try to make the case for the UK to use its proposed exit from the European Union as an opportunity to make radical changes in its food management policies so that they ‘send the right signals’ to all parties involved in the food chain, from farm labourers to consumers. We conclude that, if the UK adopts such policies, it can serve as a role model for emulation by other EU members and developing countries.

We must confess our discomfort about Brexit. It encourages isolationism when globalisation requires greater collaboration amongst nations to ensure peace, sustainable use of the world's natural resources, more equitable sharing of wealth, and better human health through improving nutrition for those who are hungry and those who eat too much of the wrong foods.

But if Brexit really is Brexit, the UK should use its greater autonomy to adopt a set of food policies that will enable it to do much better in conserving natural resources and in having its people eat healthily.



The EU and the UK's food and agriculture

The European Union, in spite of its many problems, has offered more leadership on food management related topics than any single member state, acting alone, could have done. It has used its considerable convening power to develop and continually update consensus between its member nations on joint strategies towards addressing the major issues facing agriculture, food, natural resource management, climate change and human health. Many of its decisions – for instance in relation to animal and plant diseases, food quality and safety, sustainable management of fisheries stocks, water pollution and climate change – have transboundary implications and therefore require well-orchestrated actions between nations.

Many *'Brexiters'* are highly critical of the large body of legislation, regulations and standards that the EU has generated, much of which relates to food management. Through these measures, however, the EU has played – and must continue to play – an essential role in facilitating trade amongst EU members and between them and the rest of the world, including a *'Brexit'* Britain.

The main practical instruments through which the EU has supported farming have been the two subsidy *'pillars'* of the Common Agricultural Policy (CAP) which has been evolving since 1962, now accounting for 39 percent of the total EU budget.

Pillar 1 involves direct payments to farmers, aimed at supporting and stabilising their incomes. To be eligible to receive payments farmers are meant to respect certain environmental, food safety, plant protection and animal welfare standards, but these are loosely enforced. The total EU-wide annual cost is about £42 billion, of which the UK receives £3.2 billion.

The rural development programme (Pillar 2) is much smaller, with a total annual allocation of about £12.6 billion in 2015, of which the UK share was about £333 million. The UK chose to supplement this through reallocating part of its Pillar 1 budget to Pillar 2 for the period 2014-2020.

The EU's rural development policy is *"to help rural areas of the EU to meet the wide range of economic, environmental and social challenges of the 21st Century"*. Nations (in the UK, each of its four constituent countries) develop their own proposals for the use of their allocation in line with the EU's common priorities: these include fostering knowledge transfer and innovation, enhancing viability and competitiveness in farming and forestry, promoting better food chain management and animal welfare, restoring and enhancing ecosystems, promoting low carbon and climate-resilient farming, and supporting social inclusion and poverty reduction in rural areas.

England has chosen to concentrate its Pillar 2 programme on *"the better management of natural resources and the wider adoption of farming practices which are climate friendly"*. Wales, Northern Ireland and Scotland have their own priorities.

The Brexit opportunity for policy adjustment

This is not the place to assess the success of the CAP, nor to

examine its many weaknesses. Now that the Chancellor of the Exchequer has guaranteed that, following Brexit, funding for agriculture and rural development will be made available at levels equivalent to current CAP allocations, we need to look to the future and how best to deploy these funds.

Brexit provides the UK with a once-in-a-lifetime opportunity to get to grips with its serious food system management problems. It can emerge as a world leader in adopting a set of mutually reinforcing policies for agriculture, food, nutrition, natural resources management, slowing the processes of climate change, cutting rural poverty and improving career opportunities for its citizens in the food chain. The guarantee of sustained funding opens the door for necessary transformational shifts in policies, backed by incentives to nudge the behaviours of actors all along the food chain to adopt changes that will place food management on a truly sustainable footing and improve the UK's health through better nutrition.

In embarking on a radical policy reform agenda, the UK should look to other nations that have already trodden the path for guidance. One example, relevant to sustainable land management and familiar to TAA members, relates to the improvement of soil and water management, as well as carbon sequestration, by shifting from frequent ploughing to zero tillage. For decades, farmers in the UK have been degrading soils but have lagged behind many other countries in taking up Conservation Agriculture (CA). The latest figures show that CA is applied on only 2.4 percent of UK arable land, about the same proportion as Mozambique (2.6 percent) but less than half as much as Zambia (5.3 percent). Two-thirds of Paraguayan farmland is under direct sowing! (FAO Aquastat).

Farming and food in the UK

Our recommendations seek to respond to the following snapshot of farming and food realities:

- UK consumers spend an annual total of almost £200 billion on food, drink and catering, equivalent to about £42 per person per week (11 percent of personal disposable income, compared to over 50 percent some 50 years ago) (DEFRA, 2016).
- Five supermarket companies account for 55 percent of the value of UK retail grocery sales (DEFRA, 2016).
- Throughout Europe, farm-gate prices for foods are much more volatile than the retail prices for the same goods (OECD, 2016).
- The contribution of agriculture and fisheries to the UK economy is £10.7 billion, or roughly 5 percent of the retail value of annual food and drink consumption (DEFRA, 2016).
- Total farmers' net income from farming dropped by 29 percent between 2014 and 2015 to £3.7 billion, equivalent to £19,417 per annual work unit (DEFRA, 2016a). This drop occurred, in spite of rising output, because of lower international commodity prices, a rise in Sterling versus the Euro in which CAP payments are denominated, and the continuing supermarket price war.
- The CAP direct payments programme (£3.2 billion per year) accounts for 43 percent of UK farmers' income, enabling farmers to sell their products cheaply, thereby effectively subsidising consumers.

- Some 400,000 people work in farming and another 3.8 million in the food and drink sector (DEFRA, 2016). Many workers (one-third foreign born) are paid minimum wage rates. UK citizens are increasingly reluctant to seek work in the sector, fuelling a growing demand for migrant workers.
- Avoidable food waste is valued at £17 billion per year. Some 70 percent of food waste occurs in the home (WRAP, 2016).
- Ample food availability from UK production (76 percent self-sufficiency) and from imports, is not being translated into better nutrition:
 - Almost 25 percent of people in the UK are obese and a further 36 percent overweight (House of Commons Library, 2016). As they grow older, those affected are increasingly exposed to non-communicable diseases, including type-2 diabetes, various cancers, and high blood pressure. Future related health care and economic costs, estimated at £47 billion per year now, will grow rapidly (Patient website).
 - The UK operates a wide-ranging social security programme. In spite of this, around 200,000 people now use food banks to overcome temporary food shortages triggered mainly by benefit delays and changes, as well as by low income (The Trussell Trust website).
- Annual costs of soil degradation in England and Wales are estimated at £0.9-1.4 billion, mainly due to loss of organic matter and to compaction (Parliamentary Office of Science and Technology, 2015).
- Only 24 percent of England's water bodies meet 'good ecological status' standards, with 60 percent of nitrates, 25 percent of phosphorous and 75 percent of sedimentation thought to be attributable to farming (Global Food Security, 2016).
- Agriculture continues to harm the supply of ecosystem services, as evidenced by the declines in farmland bird populations, pollinators, biodiversity and soil organic matter (DEFRA, 2011).
- Agriculture generates 9 percent of UK greenhouse gas emissions, mostly from methane (ruminant digestion) and nitrous oxides (fertiliser use). Since 1990, sectoral emissions have dropped by 14 percent, due to lower livestock numbers and falling fertiliser use. Land use changes (especially afforestation) have transformed land into a net carbon sink, but the 9 million tons CO₂ equivalent 'saved' amounts to only about 20 percent of agricultural emissions (Department of Energy and Climate Change, 2016).
- The costs of environmental damage and contributions to climate change processes caused by food production and waste, as well as of future health care and loss of output caused by the obesity epidemic, are being left unpaid by today's consumers and a huge bill is being passed on to future generations.

It is abundantly clear from the above that there is no room for 'business as usual' in food management. The most urgent needs are to (a) stop the environmental and social damage caused by current food production systems and wastage, (b) bring about lifestyle changes so as to drastically cut the incidence of overweight and obesity, and (c) protect the food consumption of the poorest households as prices rise. While reallocation of saved subsidy funds can get the ball rolling, ultimately most of the costs of the necessary measures should be met by food consumers.

A possible policy response

It is against this background that we urge the UK to seize the Brexit opportunity to design and adopt bold and mutually consistent cross-sectoral policies that will create incentives for benign behavioural changes throughout the food management system. This bundle of policies could:

1. Connect farmers more directly to the food market

The aim would be to increasingly harness the huge purchasing power of consumers to eventually meet the full direct production and handling costs of food – including some insurance of farmers against risks due to price volatility, assurance of decent incomes for all who work in the food chain and encouragement of new investment in sustainable farming.

This would open the door for equivalent but slightly lagged reductions in direct farm payments, releasing rising levels of saved fiscal resources to drive desirable changes.

The rise in consumer prices and related reductions in producer subsidies would have to be negotiated between all major parties to the food chain with the intent of ensuring greater fairness, with progressively rising farm-gate prices more than fully compensating farmers for simultaneous reductions in direct payment support. Paradoxically, the heavy concentration of food retailing in just a few companies could facilitate reaching an agreement.

To put this in perspective (with deliberate over-simplification), a 2 percent rise in the average price of food and drink, if fully passed back to producers by retailers and caterers, would transfer £4 billion, and more than compensate for the total cost of current CAP Pillar 1 support for UK farmers and fishermen. This would add less than £1 to the average weekly shopping bill.

The reduction of direct payments would have to be introduced gradually, starting with the largest beneficiaries and progressively extending towards smaller recipients. The smallest 'active' farmers would probably continue to receive a direct payment in the long-term in recognition of their role in environmental stewardship.

These moves would:

- Begin to wean farmers off dangerously high dependence on subsidies that will prove unsustainable in the long term. (This is consistent with DEFRA's position in 2011 when they argued that "*while direct payments will continue during the next Financial Perspective, they should have a clear downward trajectory and be positioned as part of a programme of managed transition planning for their abolition.*") (Environment, Food and Rural Affairs Committee, 2011).
- Increase incentives for farmers to produce more of what consumers want, improving the match between demand and production.
- Increase competitiveness amongst farmers and encourage investments in innovation and improved efficiency.
- Save farmers the time and costs associated with accessing CAP direct payments and the related costs of delays in payment delivery.
- Enable farmers to assure decent working conditions for their labour force and acceptable animal welfare standards.
- Reduce the incentives for households to waste food.
- Possibly, but not without additional measures, reduce



over-consumption of food.

2. Gradually introduce selective taxation on foods

The initial aim would be to create precedents for food consumers to begin to pay for the environmental and climate change-related damage inherent in food production, while, at the same time, inducing dietary changes towards more healthy nutrition (*eg* less salt and sugar, more fruit and vegetables, less grain-fed meat *etc.*). The basis for determining eventual taxation levels could be *true cost accounting* (Sustainable Food Trust).

Even if the combination of price rises to compensate for cutting back direct payments to farmers, and of those induced by increased taxation, were to rise to 20 percent of the total grocery bill, this would generate £40 billion per year (or only about 2 percent of total disposable personal income) in the UK alone. Induced cut-backs in food waste and over-consumption could compensate for this in better-off families.

Negotiations with consumer groups, retailers and other involved parties would have to centre on the moral justification for the principle of inter-generational equity in relation to both natural resources management and future health care costs induced by our generation's selfish food consumption behaviour.

The proceeds from significantly higher food taxation could transform farming systems across the country and alter lifestyles by scaling-up proactive measures to reinforce benign behavioural changes amongst producers and consumers.

3. Reallocate savings in direct payments and income from food taxation to promote increasingly sustainable food management systems and to protect adequate food consumption in poor families

This would apply the growing volume of fiscal resources to a wide range of measures similar to those now supported by CAP's rural development Pillar 2 (see above) but on a much larger scale.

The main emphasis would be to accelerate adoption of farming practices that would conserve and restore natural resources (soils, fresh water, biodiversity), cut greenhouse gas emissions from farming and food wastage, safeguard food quality and improve living conditions for rural communities. As in the case of CAP's Pillar 2, there would be a strong focus on identifying and propagating potentially relevant innovations and locally driven initiatives.

This would involve expanding funding of research (including farmer-led research) and extension, aimed at moving intensive farming away from too much mono-cropping and heavy dependence on external inputs towards systems that successfully harness ecosystem services while maintaining high levels of performance.

It would also provide grants towards the investment costs incurred by farmers in shifting to more sustainable systems (*eg* for purchase of equipment for conservation agriculture).

It would support the emergence of improved arrangements for food supply chain management, aimed at assuring a more equitable sharing of benefits and less volatile farm-gate prices.

Support would also be given to measures to promote lifestyle changes across the whole UK public, leading to healthier eating.

Finally, and most importantly, funds would support the extension

of social protection, combined with nutrition education, to all of the UK's poorest families to enable them to eat healthily even as food prices rise. This is bound to be much cheaper than effectively, as of now, subsidising all UK consumers.

Epilogue

What we are proposing is ambitious, institutionally complicated and politically sensitive. It should prove feasible, given the strong UK national commitment to better economic performance and competitiveness, provided this is translated from stated intent into action. The capacity to manage programmes that cut across sectors has been greatly increased by the extent to which modern communications systems make it so much easier now to engage in real time, across institutions, in coordinated actions. It is significant that what is good for farming is also, in general, good for the environment and climate stability, and good for human nutrition and health – indeed good for the UK as a whole!

The falling value of the pound Sterling seems bound to impact on both producers and consumers. It will tend to strengthen demand for UK-grown food to substitute for imports and to improve export prospects. However, it will raise consumer prices for foods that continue to be imported.

If the UK were to choose to embark on such policies, it would be breaking new ground. It would serve as a role model for other EU countries as well as for developing countries that face similar challenges that demand comparable responses as they seek to attain their Sustainable Development Goals by 2030.

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