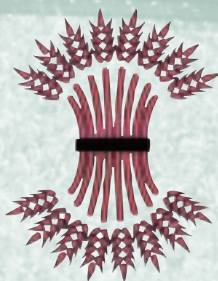
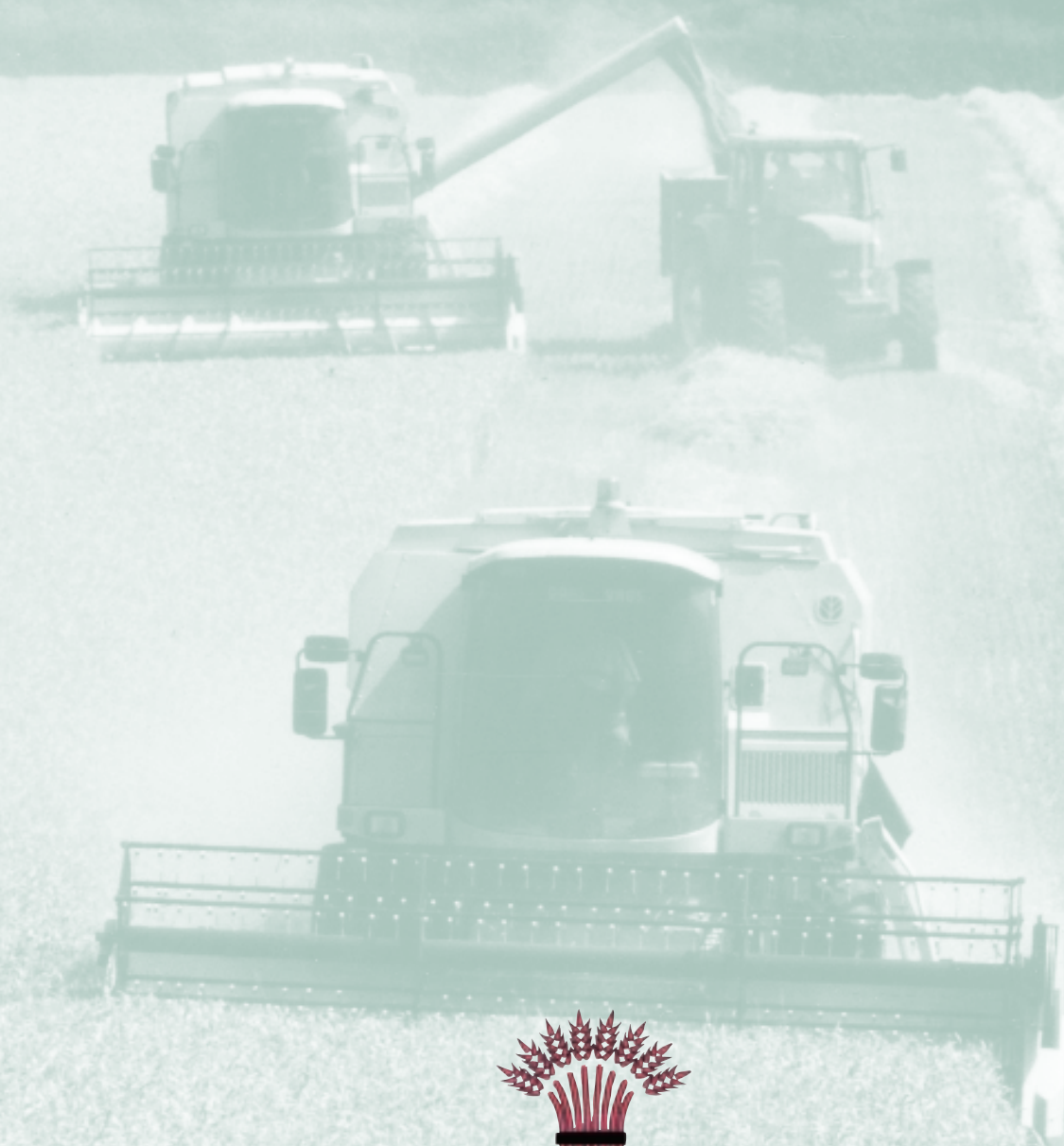


THE CASE FOR A SUSTAINABLE UK AGRICULTURAL INDUSTRY AND NATIONAL FOOD SECURITY

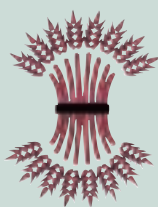


THE COMMERCIAL FARMERS GROUP

The Case for...

This discussion paper, *The Case for Food Security in the National Interest*, has been published by the **Commercial Farmers Group (CFG)** to promote a debate on the role of British agriculture in supplying a greater proportion of the nation's food requirements.

It is the contention of **CFG** that food security and the balance of trade in food are issues, which, although no longer on the news and political agenda, have far reaching implications and could undermine our ability as a nation to meet some of the huge challenges which Britain will face in the future.



Executive summary

Changes in agricultural policy are inevitable and, in many ways, desirable. But whether in the UK or the EU, change has become unbalanced. The internationalisation of the food chain has put the emphasis on short-term availability of food at the lowest price from suppliers around the world. In the process, the case for maintaining a strong commercial base for the production of food and other agricultural products at home has been lost.

Too often, today, the debate addresses the issue of **how** food is produced and ignores the crucial issue of **how much** Britain's farmers produce to meet national demand. A gap has developed in the balance of the country's food trade.

The Commercial Farmers Group

believes that there is an urgent need to set out the arguments in favour of maintaining a strong and commercially viable agricultural industry in the UK National Interest. It is our sincere hope that this will initiate a well-researched and informed debate that will create policies looking to the longer term and beyond narrow and sectional interests.

This paper examines a range of subjects:

- ◆ The Value of Food and Farming in the National Economy - the political reality of the cost of agricultural support
- ◆ Strategic Food Security
- ◆ Farming and the Environment
- ◆ Food Imports and Double Standards.

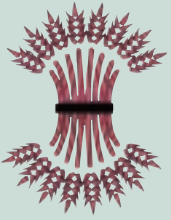
We conclude that:

1. The arguments presented in this paper strongly support the view that a progressive and commercially viable, agricultural industry is a vital part of the UK National Interest.
2. This paper is not a plea for any increase in production subsidy but reduction must be implemented gradually and constructively. Continuing support, including financial support in different forms, is vital in the following areas:
 - a. Protection against the importation of dangerous or unacceptably produced food;
 - b. Co-operation and stronger marketing;
 - c. Progressive and appropriate science and technology;
 - d. Development of crops which can offer sustainable alternatives for fuel, medical and plastic products;
 - e. Realistic payment for environmental care.
3. Food Security, for all the reasons we have set out, is not an outdated concept.

4. The national Balance of Payments will once again become increasingly relevant.
5. Global Population and Food Production Trends should be essential elements in policy determination for the future.
6. Negative and restrictive regulation and lack of financial support are seriously compromising progress in Science and Biotechnology in the UK.
7. Promotion of UK assurance schemes in a way that is comprehensible to consumers should be resourced as a matter of urgency.
8. Farmers must continue to pay attention to environmental care and the conservation of biodiversity. There need be no conflict between modern commercial farming and sustainability if an integrated approach to production is pursued.

The CFG recommendations are:

1. The role of British Agriculture in providing National Food Security should be the subject of rigorous re-appraisal.
2. The Government should be urged to examine the risks, including those related to the Balance of Payments, inherent in any further erosion of our national capacity to produce food and other agricultural products from our own agricultural industry.
3. The import of agricultural products produced to unacceptable (and illegal in the UK) standards of either animal welfare or environmental care should be halted – or, if that is not immediately possible, to be labelled with great clarity so that the implications are comprehensible to consumers.
4. There should be no new legislation on production standards unless they are unanimously applied throughout the EU. Existing legislation applied in the UK should be implemented across the EU as a matter of urgency or subject to repeal.
5. Strong UK, and EU, action should be taken against the import of meat and other products from areas of high disease risk. Measures comparable to those in place in the USA and Australia should be put in place at all UK airports and ports of entry in order to eliminate illegal imports.
6. There should be a strategy to halt the decline in the UK market share of indigenous fruit and vegetables.
7. The ongoing reduction in national support for Science and Technology must be reversed if serious reductions in agricultural efficiency are to be avoided.



THE CASE FOR FOOD SECURITY IN THE NATIONAL INTEREST

THIS IS A TIME OF SUBSTANTIAL CHANGE in agricultural policy, on a National and European and, to an extent, global basis. Most would agree that there is an urgent need for reform of the now-outdated and wasteful Common Agricultural Policy. However, the consequences of the changes proposed have not been fully evaluated. The risks involved have not received the attention they merit in the National Interest.

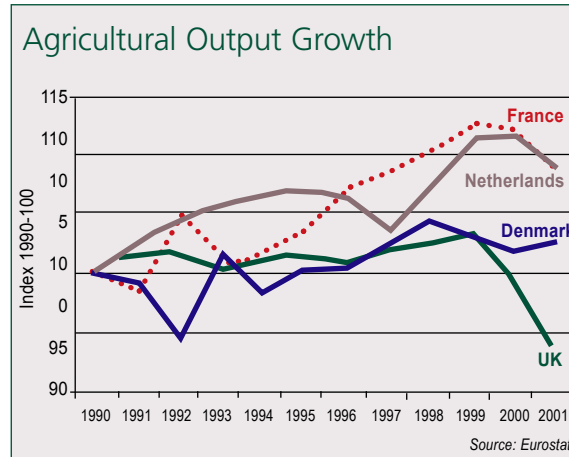
Amidst these demands for change, the case for maintaining a strong commercial base for the production of our own food and other agricultural products has been lost. Farming must regain, and retain, commercial viability if it is to play its part in the economic, social, strategic and environmental future of the British nation.

The Commercial Farmers Group

believes that there is an urgent need to argue this case. It challenges the assumptions used by those who wish to see changes in the UK which would lead to further substantial increases in food imports and a decline in rural prosperity.

The **CFG** does not argue for maintaining the current systems of support. It does argue forcibly for policies and support that will enable the UK Agricultural Industry to be competitive, commercially viable and able to play a key role in rural regeneration and the wider national economy. Farm profitability is the essential foundation to enable such a contribution.

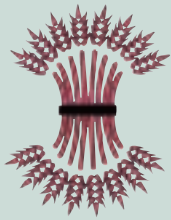
In her foreword to *The Strategy for Sustainable Farming and Food - the Defra response* to the Curry Commission, Secretary of State, Mrs Margaret Beckett said: "The



challenge for the industry is how to create fresh prosperity, how to preserve and enhance our environment, and contribute to stable rural communities.

"In other words, the challenge is to rebuild a food and farming industry which is sustainable." Whilst accepting food production is not the only sustainable rural output, it should remain the corner stone. That can only be the case if we retain a significant commercially based, viable farming industry.

Whilst there is much of value in the Curry Report, the need to maintain profitable, i.e. sustainable, levels of food production did not get the attention it merited. It is a fact that currently UK farming is not profitable in any realistic interpretation of that word. No less than 60,000 have left the industry over the last three years. While CFG would not disagree that this economic slimming down was necessary, we do contend that an unmanaged exodus threatens the commercial viability, the skill base and the will to invest in farm businesses. Worse still, if output falls as well as people employed, then the UK will lose critical mass in the food chain - from producer to consumer - which in turn threatens the viability of processors, packers and others in the distribution chain.



This document examines the following subjects:

- ◆ The Value of Food and Farming in the National Economy
- ◆ Strategic Food Security
- ◆ Farming and the Environment
- ◆ Food Imports and double standards.

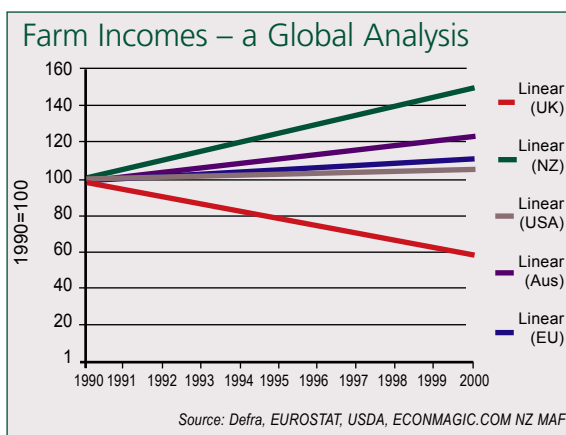
All these subjects are inter-related and should not be considered in isolation. There are both short and long-term implications that must be taken into account.

THE VALUE OF FOOD AND FARMING IN THE NATIONAL ECONOMY

There are three different but related elements which come under this heading and which lead into the arguments concerning Food Security.

Reduction in Farm Output

This is already happening due to low or non-existent profits and falling investment due to a loss of business confidence. Both UK Government policy and the European Union's CAP Mid Term Review (MTR), with their emphasis on diversification and transfer of



support to schemes aimed at changing the rural environment, threaten to exacerbate the problems.

The Deloitte & Touche Report on Farm Incomes, published in October 2002, gave details of how significant this is. Even a well-

structured 1000-acre farm generates a return less than 1% – £15,000 to £20,000 – and that has to cover both drawings and much needed expansion. Re-investment has slowed down to a level that threatens future viability.

The Outlook Report from Andersons, November 2002, gave one reason why this was happening. The report pointed out that wheat imported from countries around the Black Sea was entering our market at £55 per tonne – whilst the US keeps it out of its market on health grounds.

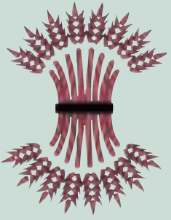
Large reductions in national funding of Agricultural and Horticultural Research & Development can only further compromise future efficiency. As agricultural and horticultural R&D reduces, so our ability to maintain efficiency is threatened.

The MTR introduces further elements. These proposals, as presently written, will penalise the larger and usually more efficient farms across the EU and, especially, in the UK and will further erode our competitive position both in Europe and the rest of the world.

	1997/98 (£000)	1998/99 (£000)	99/2000 (£000)	2000/01 (£000)	2001/02 (£000)	2002/03 (£000)
Total	12015	12022	11409	11024	10747	9242
		+7k	-613k	-385k	-277k	-1,505k
The proposed Defra spend on HRI post the quinquennial Review is £5,000,000						
Source: Defra						

The Planning and Forecasting Group of the MLC forecast reductions in the overall numbers in the national beef herd and sheep flocks of between 25% and 30%. It is now highly unlikely that 2002/03 Milk Quota will be achieved.

The inevitable consequence is that more and more food will be imported. In the past decade our negative balance of trade in food and drink has increased by more than 50% from under £6bn to over £9bn. Although much is often made of the cost of supporting



The Disappearing Livestock Industry

UK June Census '000 Head	1998	2002	% Change
Dairy Herd	2,439	2,222	-8.9%
Beef Breeding Herd	1,947	1,658	-14.8%
Sheep Breeding Flock	21,260	17,647	-17.0%
Pig Breeding Herd	778	554	-28.8%

Source: Defra

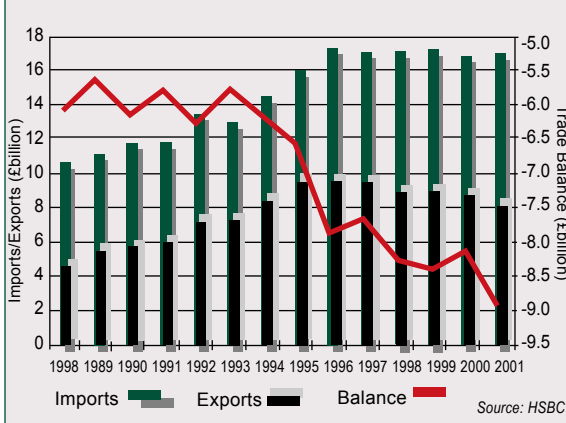
the countryside through payments to agriculture, the likely outcome is that the UK taxpayer will pay as much or more to the

Meat Import Statistics

- ◆ In 2001, the UK imported 300,000 tonnes of processed meat, including bacon, at a value of £570 million
- ◆ Over the past 10 years, the import of processed poultry meat has grown from 5000 tonnes to nearly 90,000 tonnes
- ◆ Over the same period, there was a trebling in the import of sausages to 64,000 tonnes.

Source: MLC Meat Demand Trends

Food & Drink Trade Balance



producers in other EU countries as we export to them in production, processing and jobs. Overall, the tax burden will not be reduced.

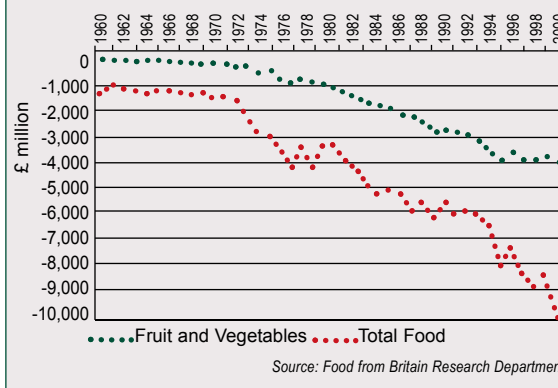
The Food Processing Industry

The great bulk of food production from UK farms does not go direct to the consumer. It goes through a wide variety of processing businesses that have evolved into a highly sophisticated industry.

The Deloitte & Touche Report says: "If significant numbers of farmers give up, and/or reduce food production, food processors and agricultural suppliers will lose critical mass and collapse. The end result will be a major increase in the 'export', not just of food production, but of food processing as well."

This is already happening on a considerable scale. The MLC Meat Demand Trends give the information. The UK food processing industry is thus already declining – and the

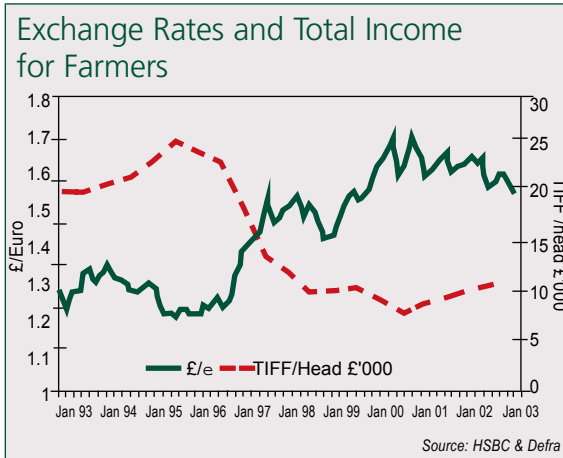
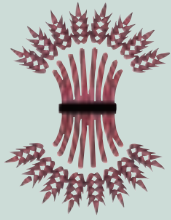
UK Trade Gap 1960-2001 (£ million) total Food and Fruit and Vegetables



rate of decline is accelerating. The impact of this on the UK economy has not been the subject of research and evaluation.

The Value of Sterling and the National Balance of Payments

We have become accustomed to our sterling being strong, especially in relation to the Euro and the Asian currencies. However, the recent weakening in the £rate demonstrates how volatile this situation can be. Global economies are in some turmoil. Furthermore, if we were to decide to enter the euro, sterling would have to be at an even lower value. And that would have a significant effect on the cost of importing food. A further consequence of a strong sterling has been its adverse effect on the viability of agricultural and other manufacturing industries. If present trends continue, it is conceivable that the output of UK agriculture could fall by 25% over the next five years with a resulting, and similar, reduction in the food-processing sector.



The above factors have implications for the national Balance of Payments. Although seldom in the news these days, we believe that funding a continuing Balance of Payments deficit will have a significant adverse effect on our overall economy.

At a time when there are real concerns about the Global Economy, can this potential risk to our own economy be discounted?

STRATEGIC FOOD SECURITY

Even twenty-five years ago, Strategic Food Security was a major driver of agricultural policy. Now, the perceived wisdom is that times have changed and food security is no longer important.

We are told that:

1. Methods of warfare have changed and threats to supply no longer exist
2. The world is full of cheap food, and we pay far too much for home production
3. Cheap food, even when imported, is an important element in economic prosperity
4. Globalisation and free trade are the best ways of helping under-developed countries.

We believe that the time has come for this line of thinking to be challenged robustly. The critical elements of the case are:

- ◆ Plant and Animal Health

- ◆ Global Population and Food Production
- ◆ Climate Change
- ◆ Terrorism

These have a significant bearing on the debate on Food Security. These are not somebody else's problems. They are ours and it is our submission that they have not been given anything like the political and economic consideration that is essential.

Plant and Animal Health

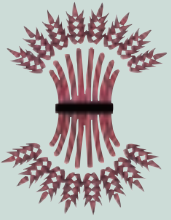
Rigorous phyto-sanitary controls are of vital importance in protecting both plant and animal health. Our controls simply do not match those of our competitors.

For example, the financial, social and political implications of the recent FMD outbreak have been the subject of debate and enquiry. The financial costs alone were huge. The National Audit Office estimated the cost of the outbreak at a total of **£9 billion**.

- ◆ There can be little doubt that the disease was brought in via imported meat
- ◆ The UK still imports meat from countries where FMD is endemic
- ◆ Illegal imports are still coming in, bringing great risk of disease, not only FMD but Swine Fever, Salmonella, etc.
- ◆ It is not overly pessimistic to say that the next outbreak is a matter of 'when' not 'if'.

But these issues have wider implications than those of Foot and Mouth Disease.

1. What other diseases, human, animal or plant, does this policy (or lack of it) expose us to? Ebola is probably the most dangerous human health risk. It can be carried in carcass meat, such as the bush meat being illegally imported.
2. Because of potatoes having been imported contaminated with the disease, Brown Rot, some UK watercourses can no longer be used for irrigation, thus restricting the potential of our UK potato production.



Food production and population growth Two factors are important:

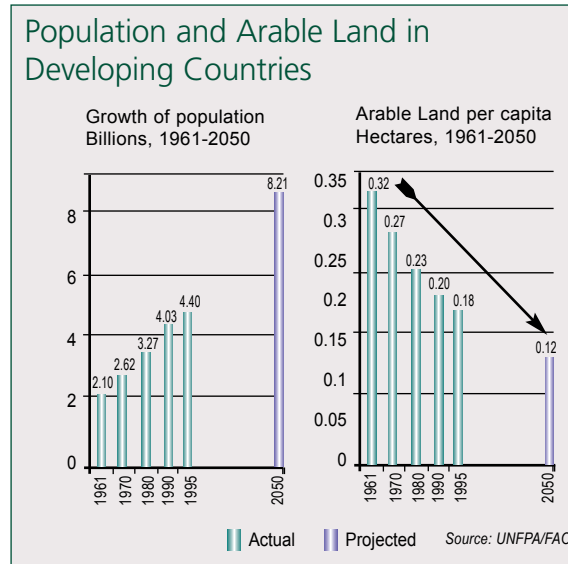
- ◆ Global population, currently at 6 billion, is growing fast. The FAO (median trend) project that it will be 8.5 billion by 2025 – and quite probably 10 billion by 2050. Yet Africa today produces nearly 30% less food per person than it did in 1967. Food production is a vital element in the avoidance of migration, starvation, or war.
- ◆ Standards of living, especially in China and other Asian countries, are rising fast. As income increases, people move from a cereal-based diet to one based more on meat. This leads to a significant increase in the demand for cereals due to the effect of an increased conversion rate, which can vary from as low as 2:1 to as high as 4:1.

If the UK loses its home production base, this country will find itself competing against growing economies around the world for a diminishing global food supply – with consequent implications for cost and food security.

Global Food Production Trends

The FAO 'Population Reports, November 2002' puts the future in stark perspective. With one third of world population lacking food security now, world food production would have to double to provide food security for the 8.5 billion people in 2025. Amongst the most serious constraints to achieving sustainable agriculture and food supplies are:

- ◆ Shortages of arable land;
- ◆ Degradation of land resources;
- ◆ Loss of land to urbanisation;
- ◆ Water shortage and pollution;
- ◆ Irrigation problems and salinity;
- ◆ Collapsing fisheries.



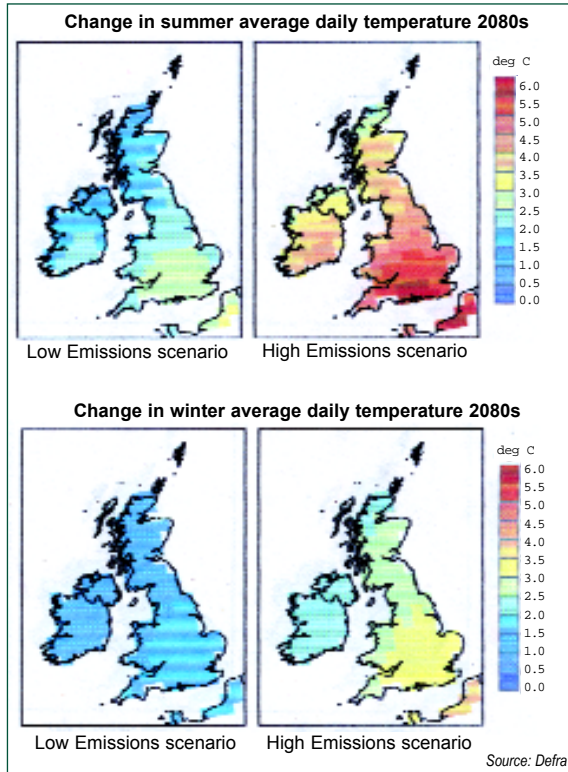
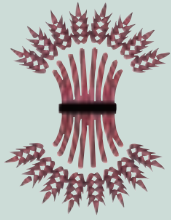
All the evidence indicates that global population and food production trends are crucial issues. Food Security is, in this context, as important for us in Europe as it is in Africa or Asia. Where will this food be produced and who will produce it?

There is little doubt that the quantities of food required could be produced without destroying the fragile ecosystems of the world but only on condition that science, including biotechnology, is allowed to progress and that agricultural policies in the developed countries take heed of future needs and demands.

National Governments, listening to public opinion, have been dominated by an over-zealous application of the 'Precautionary Principle'. In the process, the value of agricultural science has been diminished. Our Government bears a heavy responsibility to give the strongest possible leadership by ensuring that its decisions are science-based, and that it facilitates a balanced debate on the use of science in agriculture and food production with regard to medium and long-term requirement in the UK and overseas.

Food Requirement Projections to 2025				
	Population	Cereal consumption 1990	Demand in 2025	
			Population increase only	
			Population + income increase	
World	5.3 billion	1,921.30 M. tonnes	2,679 M. tonnes	3,046 M. tonnes

Source: Professor Tim Dyson of the London School of Economics



Climate Change

There is no doubt that climate change is actually happening. Throughout the world agencies have accepted the gravity of the situation. Serious droughts over the last three years in the vital production countries of the USA and Australia have led to significant changes in the pattern of global trade. And many of the developing, and over populated, countries have suffered extremes of drought or flood linked to severe storms.

The Curry Commission on the Future of Farming and Food did not include climate change implications in their report. Defra however, in a recently published report on the Impacts of Climate Change pose the question – *“How will Climate Change affect global food production? If food security were to become an issue there would be big implications for the direction of agricultural policy.”*

Keith Chomitz, Senior Economist at the World Bank, voices similar concerns. “Change could include a shift to more frequent storms, droughts and floods. In the past, similar climatic stresses have resulted in rapid and dramatic cooling at high latitudes – this could

have a devastating effect on today’s industrial countries. Prudence suggests some degree of risk mitigation.”

The United Nations projects that, because of population growth and environmental decline, by 2025 two thirds of the world’s population could be living in situations of water stress. The world’s emerging giant, China, has chronic water shortages, the USA has serious problems especially in the western States, similarly in Australia and Southern Europe.

We accept that currently it is not possible to make accurate predictions about the impacts of these changes to global climate but all the evidence emphasises the need to recognise the serious nature of the risks involved. If the importance of food security is not recognised, and if the production of food and other agricultural products in the UK is allowed to decline, then serious risks are being taken with the future well being of our Nation.

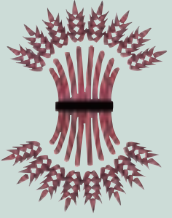
The current perception that ‘the world is full of cheap food’ should be seen to be short term and irresponsible.

Terrorism and the threat of terrorism

Cutting of transport links through terrorism, the threat of terrorism, industrial dispute or fuel shortages are all key issues that demand national attention.

The dramatic events of September 11th, 2001 brought a new dimension into the debate. This was followed by a series of further attacks – in Asia, the Middle East, and Africa – coupled with threats of bio-terrorism, concerns about Anthrax and strategic vaccination against Smallpox. The belief that rogue states possess weapons of mass destruction and the possibility of war adds further to uncertainty.

Britain has developed a complex international network of food supply – for both fresh and processed foods. This is potentially vulnerable to any terrorist activity (or the



threat of activity) which disrupts transport links. An attack on a nuclear power station leading to a Chernobyl-type sterilisation of huge areas of land or severe disruption of air transport are no longer threats which can be dismissed lightly.

Government should not ignore such possibilities. And, while it cannot be said that food production from within our own boundaries is immune from any of these, at least we retain greater control over the security of our food.

The question must be asked:- Is it really a sensible and prudent policy to risk becoming even more dependent on imported foodstuffs and other agricultural products that we could perfectly well produce in the UK?

FARMING AND THE ENVIRONMENT

Conserving the environment is the main topic governing current UK agricultural policy thinking. We cannot pretend that past agricultural support policies have not encouraged some environmental degradation. On the other hand farmers and landowners have made major contributions to the maintenance of rural Britain and environmental protection and this has been funded out of farm profits.

Farm incomes are now at historical lows. Acknowledging this reality, there is an acceptance that environmental care will be supported by taxpayers in preference to subsidising production. But the direction of the CAP is unlikely to be changed overnight.

So with profit virtually non-existent and farm businesses burdened with increasingly expensive bureaucratic control, the danger is that the reality of positive environmental change will be disappointing. Should a funding gap develop between the disappearance of farm profit and the emergence of an official environmental

funding stream, then damage to the environment could be in proportion to the financial hardship of the individuals responsible for environmental care at ground level.

Two issues need addressing without delay:

1. The effect of further and continuing decline in the farming economy on the whole rural structure.
2. An analysis of the cost-effectiveness of transferring financial support from production to environmental care.

FOOD IMPORTS AND DOUBLE STANDARDS

The UK has led the way both within the EU and in the global market place, in regulating environmental care, food safety and animal welfare. We support those objectives entirely. We do wish, however, to emphasise two consequences of these regulations:

1. They place a heavy cost burden on producers and processors.
2. They put UK producers at a cost disadvantage relative to imports of food and other agricultural products where the same regulations do not apply.

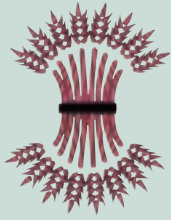
Basic Horticultural Statistics											
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Veg	76.5	77.7	81.1	76.9	72.3	72.8	71.2	70.6	71.4	71.0	66.0
Fruit	19.4	18.9	17.8	16.0	14.6	12.8	10.6	9.3	11.7	10.2	10.4

% of UK indigenous marketplace Source: Defra

It is frequently said that UK Agriculture must adapt and learn to be competitive. But as we have outlined, a significant proportion of UK production has become uneconomic and, increasingly, production of indigenous food is being 'exported' to our competitors.

Some of the examples of these double standards:

- ◆ The Pig Industry. Sow stalls are banned in the UK. Yet we import large quantities of pork and bacon from other EU



countries and elsewhere where they are still in common use.

- ◆ The Broiler Chicken Industry. Stocking rates and the use of antibiotics are strictly controlled in the UK. We import large quantities from countries where these controls do not apply.
- ◆ The Egg Industry. Battery cages are soon to be banned in the UK. How much of our egg production will we lose to imports from countries where there is no ban?
- ◆ The Dairy Industry. Tail docking and

planned abortions are legally used in New Zealand. In the UK any milk producer would be prosecuted for using such practices. How animal welfare friendly is New Zealand butter?

It is wrong that these and other anomalies should be allowed to continue.

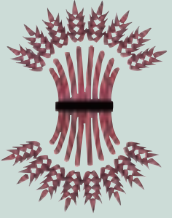
Are we, as a nation, really interested in animal welfare and environmental conservation - or are we happy to turn a blind eye and simply import cheap food? ■

CONCLUSIONS

1. The arguments presented in this paper strongly support the view that a progressive and commercially viable agricultural industry is a vital part of the UK National Interest.
2. This paper is not a plea for any increase in production subsidy but reduction must be implemented gradually and constructively. Continuing support, including financial support in different forms, is vital in the following areas:
 - a. Protection against the importation of dangerous or unacceptably produced food;
 - b. Co-operation and stronger marketing;
 - c. Progressive and appropriate science and technology;
 - d. Development of crops which can offer sustainable alternatives for fuel, medical, and plastic products;
 - e. Realistic payment for environmental care.
3. Food Security, for all the reasons we have set out, is not an outdated concept.
4. The national Balance of Payments will once again become increasingly relevant.
5. Global Population and Food Production Trends should be essential elements in policy determination for the future.
6. Negative and restrictive regulation and lack of financial support are compromising progress in Science and Biotechnology in the UK.
7. Promotion of UK assurance schemes in a way that is comprehensible to consumers should be resourced as a matter of urgency.
8. Farmers must continue to pay attention to environmental care and the conservation of biodiversity. There need be no conflict between modern commercial farming and sustainability if an integrated approach to farming is pursued.

RECOMMENDATIONS

1. The role of British Agriculture in providing National Food Security should be the subject of rigorous re-appraisal.
2. The Government should be urged to examine the risks, including those related to the Balance of Payments, inherent in any further erosion of our national capacity to produce food and other agricultural products from our own agricultural industry.
3. The import of agricultural products produced to unacceptable (and illegal in the UK) standards of either animal welfare or environmental care should be halted - or, if that is not immediately possible, to be labelled with great clarity so that the implications are comprehensible to consumers.
4. There should be no new legislation on production standards unless they are unanimously applied throughout the EU. Existing legislation applied in the UK should be implemented across the EU as a matter of urgency or subject to repeal.
5. Strong UK, and EU, action should be taken against the import of meat and other products from areas of high disease risk. Measures comparable to those in place in the USA and Australia should be put in place at all UK airports and ports of entry in order to eliminate illegal imports.
6. There should be a strategy to halt the decline in the UK market share of indigenous fruit and vegetables.
7. The ongoing reduction in national support for Science and Technology must be reversed if serious reductions in agricultural efficiency are to be avoided.



The Commercial Farmers Group is a group of fifteen leading commercial farmers who cover every major agricultural enterprise in the UK, plus the immediate past Director of Midland Bank Agriculture and the Principal of the Harper Adams University College of Agriculture.

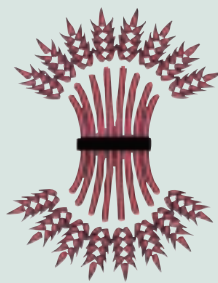
We do not have any particular connection with any one organisation within the agricultural industry, and we do not have any political affiliations whatsoever. Our sole concern is for the welfare and survival of British Agriculture within the national economy and we work together to explore ways and means of furthering that aim.

We seek opportunities to meet those in positions of influence so that we might advance what we believe to be those arguments, based on fact, that support policies aimed at maintaining a sound and viable agricultural industry in the UK. We do so, not solely in response to the current economic crisis, but looking further ahead to both the medium and long term. Furthermore, we firmly believe that this is of equal importance in the National Interest.

The Commercial Farmers Group is not against change. Indeed, there are all too many areas of agricultural policy where change is overdue. However that change must be logically and constructively managed so that the modern agricultural industry is both competitive and profitable. Without profit, an essentially private enterprise business cannot survive.

Membership

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