



The Post-Brexit Agricultural Bill – Paving The Way



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 **Quick read**

Introduction

The UK's recent Agricultural Bill, which was first introduced into parliament in September 2018, and re-introduced on 16th January 2020, will lead the way for agriculture and food policy in the post aorta for farmers to the provision of public benefits such as tackling climate change or preserving beautiful landscapes

Common Agricultural Policy (CAP)

On Thursday the 16th of January 2020, the post-Brexit agricultural bill was re-introduced to the House of Commons. This bill will lead the way for the biggest shake-up that the agriculture industry in the UK has seen for decades, with big changes set for agricultural food and supply chains. The new system outlined in the bill will be phased in from 2021 to 2027 when the last payments made under the old common agricultural policy (CAP) will be made. The CAP costs the EU nearly 40% of its budget or approximately €58bn a year. It was originally set up in 1957 to sustain the EU's food supplies by increasing agricultural productivity. However, after many reforms due to the butter mountains and wine lakes of the 80s, the structure is quite different to the original.

Nowadays, the 12 million farmers across Europe that the CAP supports are rewarded for particular land use. A large part of the CAP payments is known as direct payments, known as the Basic Payment Scheme (BPS). These direct payments pay farmers based on the total amount of land farmed. Farmers in the UK currently receive about £3.5 billion annual support under the CAP, of which over 80% are classified as 'direct payments'. These payments tend to be skewed and the largest landowners benefit the most as opposed to being linked to any specific public benefits. The top 10% of recipients receive almost 50% of total payments, while the bottom 20% receive 2%.



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The post-Brexit agricultural bill is set to transform the UK's agricultural food and supply chains

- New system will be phased in from 2021 to 2027 when last payments made under common agricultural policy (CAP) are completed
- UK farmers receive £3.5 billion annual support under CAP, with 80% 'direct payments'
- The bill proposes farmers be paid for "public goods" such as better air & water quality, higher animal welfare standards, public access to countryside, improved soil health – "Green Brexit"
- What is less clear is whether farmers will be better or worse off and how this measure will impact production output and efficiency
- The bill provides the mechanisms for changing the rules but not how it will work in practice

The Agricultural Bill

The proposal set forth in the Agricultural Bill is that farmers will be paid for "public goods" such as better air and water quality, higher animal welfare standards, public access to the countryside, improved soil health and measures to reduce flooding. This would replace the direct payments being received in the current system and would focus on an overall "Green Brexit" theme.

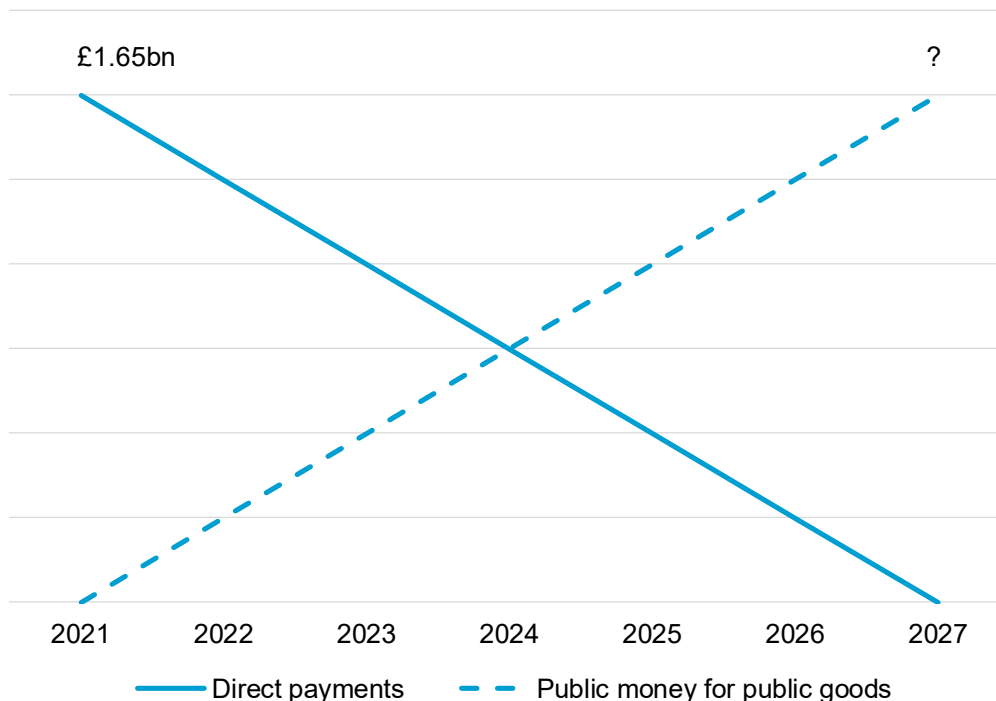


The cuts in the direct payments will benefit smaller farmers as the money saved will be redirected into new schemes, R&D and support for smaller farmers during the transition to environmental land management contracts. Direct payments have continued to be paid since the announcement of the Agriculture Bill and will be available as normal until 2021. They will then be phased out from 2021 to 2027. The government said that during this transition period, it will be able to make payments for farmers to invest in new technologies and methods that boost productivity. In 2021, the government plans to free up around £150 million from the reduction of CAP payments. This can be invested in new environmental schemes and in R&D. These schemes will pay farmers for providing public access to land, tackling flood and other problems and protecting historic rural environment and landscapes. Farmers will get paid for doing environmentally friendly work that could range from providing nectar plots for pollinating insects to replacing gates to help access to the countryside for the general public.

The bill suggests separating direct payments from the requirement to actually farm the land, as is currently the case. This may encourage new entrants into the sector. Also, several years' worth of future direct payments could be paid in a single lump sum. This will give farmers money to invest in their businesses, diversify or even retire from farming. Older farmers may opt to retire off this lump sum whereas younger farmers may be interested in investing it into their business. This could help bring down the average age of farmers which is currently very high at 59 compared to other western countries.

Many of the finer details have not been laid out in the bill. For example, it has not been specified how much public money farmers would receive under the reforms after 2021. These farming budgets will be set on a multi-year basis but how this will be managed has not yet been clarified. The agricultural bill provides the mechanisms by which the government can change the rules as opposed to setting out how the rules will work in practice.

Figure: Phasing Out of Direct Payments





Farmers will get paid for doing environmentally friendly work that could range from providing nectar plots for pollinating insects to replacing gates to help access to the countryside for the general public.



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Conclusion

To conclude, the transition from direct payments to rewarding farmers who offer “public goods” is sure to help make the farming industry in the UK more environmentally friendly. What is less clear is whether farmers will be better or worse off and how this measure will impact production output and efficiency



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