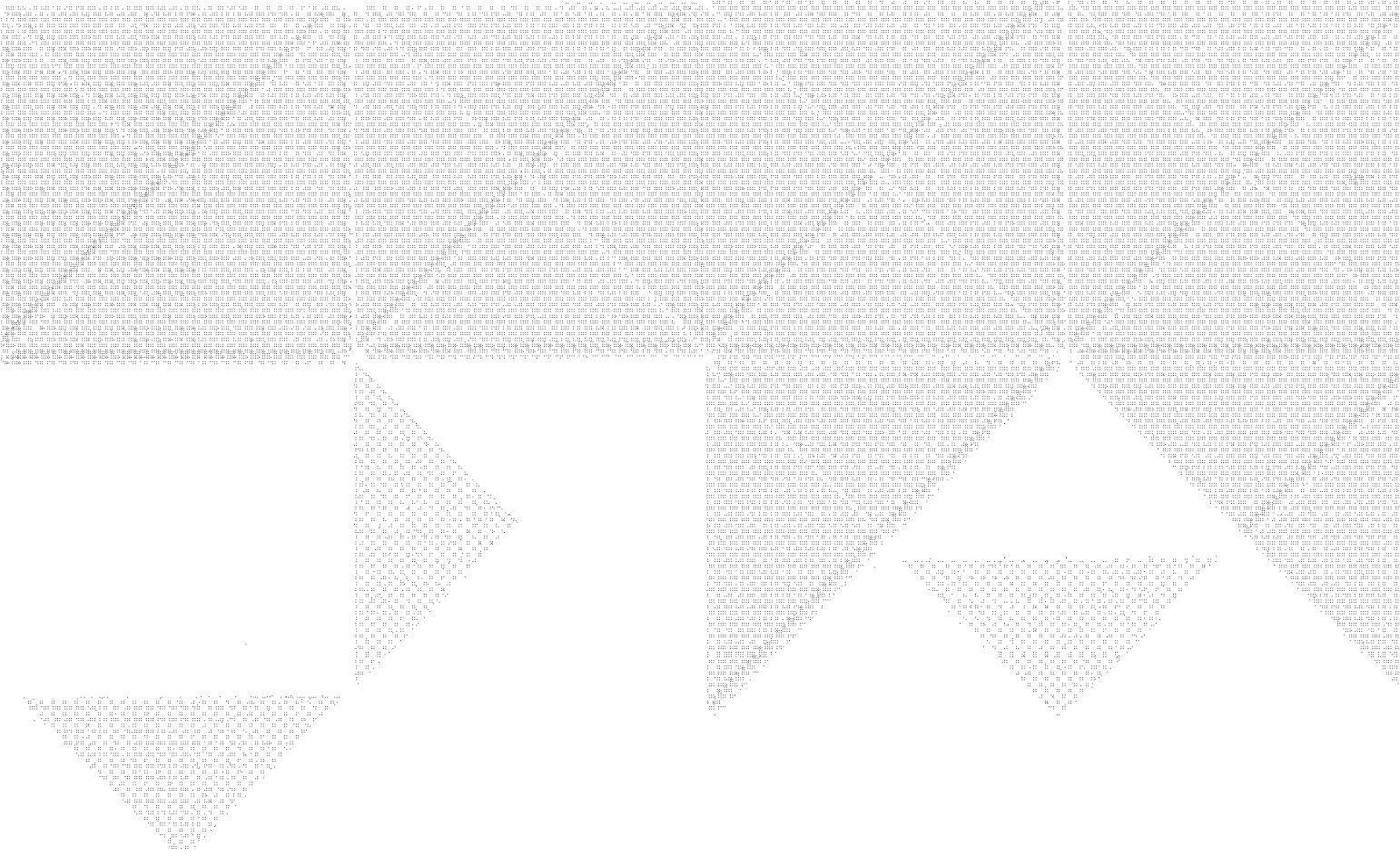
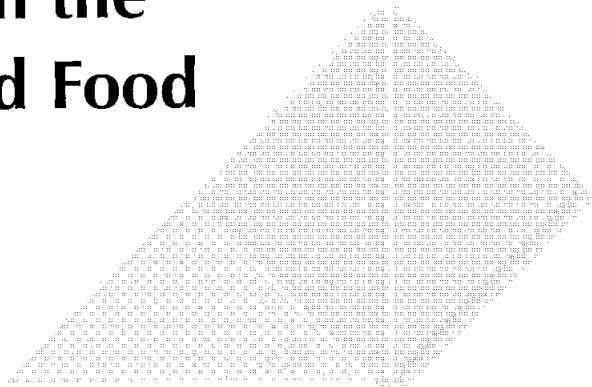


Response to the Report of the Policy Commission on the Future of Farming and Food by HM Government





Response to the Report of the Policy Commission on the Future of Farming and Food by HM Government

Presented to Parliament
by the Secretary of State for Environment, Food and Rural Affairs
by Command of Her Majesty
December 2002

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Response to the Report of the Policy Commission on the Future of Farming and Food by HM Government

The Policy Commission on the Future of Farming and Food presented its report to Government in January 2002. The Government has today launched *The Strategy for Sustainable Farming and Food: Facing the Future*, building on the broad themes identified by the Policy Commission, setting out a vision for the future of the industry, and identifying the means by which that vision can be delivered.

This document supplements the strategy, drawing together the 105 recommendations contained in the Policy Commission's report and summarising the Government's position on each. It demonstrates that the Government is responding positively to the vast majority of the recommendations. Many of the policy areas and delivery mechanisms are addressed in more detail in the strategy document.

Published simultaneously with this document and the strategy is *Farming and Food's Contribution to Sustainable Development: Economic and Statistical Analysis*. All of these documents can be found with other relevant papers on the Department for Environment Food and Rural Affairs (Defra) website at www.Defra.gov.uk/farm/sustain or by calling the Defra helpline on 08459 33 55 77 or by e-mail at helpline@defra.gsi.gov.uk.

KEY:

Recommendation no. TITLE	Page reference in Policy Commission report
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Summary of recommendation

Government Response

Recommendation 1: COMMON AGRICULTURAL POLICY REFORM	Page 23
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Government to press for substantial, and early, Common Agricultural Policy (CAP) reform.

The Government is pressing - and will continue to press - for substantial CAP reform. We welcomed publication on 10 July 2002 of the European Commission's proposals for CAP reform, arguing that while we supported the general direction of the proposals, we did not believe that in a number of key areas they went far enough. We are working with the devolved administrations, the Commission and other member states to secure meaningful reform of the CAP.

Recommendation 2: CAP PAYMENTS IN EURO	Page 25
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Government should give farmers the option of receiving direct support payments in Euro.

The Government is committed to providing farmers with the option of receiving grants and subsidies in Euro. The appropriate computer systems have been programmed into the major developments at the Rural Payments Agency. The systems are expected to come online late in 2004.

Recommendation 3 & 13: FINANCIAL RISK MANAGEMENT	Page 25 and 37
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Defra should convene a group involving farming representatives, the Treasury and the main UK banks, to explore the provision of an efficient low-cost method of hedging Euro-denominated CAP payments, accessible to all farmers who want it.

The Treasury should consult with banks and other financial bodies to investigate the efficient provision of suitable financial risk management instruments at a reasonable cost. Collaborative farming ventures should be involved in these discussions.

The Government has convened a small group consisting of farmers organisations, levy bodies, banks, insurance companies and co-operatives to consider these recommendations. The group is exploring means of improving information on the nature of the risks and the availability of the financial instruments for risk management and is preparing a report for presentation to Ministers by the end of 2002.

**Recommendation 4:
REVIEW OF STATISTICAL COLLECTION**

Page 27

Defra should undertake a more radical review of the process of reviewing statistical collection, (1) to rationalise the system of collection and (2) to ensure that relevant data is collected to underpin benchmarking work reflecting the changing nature of many farm businesses.

The Government recognises that there is a need to integrate statistical and administrative sources more effectively and to ensure new data needs are being met. A review of Defra statistical services has been commissioned and is scheduled to commence in February 2003. Proposals for an independent study of all of the information collected from farmers are also being invited.

Increasing use is already being made of Integrated Administration and Control System (IACS) data in order to reduce the volume of data collected in the June Agricultural Census. Similarly, we are keen to maximise the use of data from the Cattle Tracing System, and work to improve traceability of all livestock will increase the efficiency of data collection (see Recommendation 34). Discussions have taken place on what more can be achieved in the short term. Improved IT systems and the introduction of a single business identifier will open up more possibilities for the future.

Consultations are in progress with a wide range of users on future data needs. There is widespread recognition of the need to obtain information on how business structures are changing, the product market and how farmers are responding to the new agenda. There are growing demands for linked data on the rural economy and the environment.

Industry sectors (for example the Milk Development Council and the Red Meat Industry Forum) are already taking forward work on benchmarking. Work is under way to make the results from the Farm Business Survey more accessible from April 2004. A booklet on management accounting for farmers is being produced to provide an industry standard for definitions.

Discussions will continue with the industry on how best to meet these new needs.

**Recommendation 5:
PRIORITIES BOARD**

Page 28

Government should set up a new Priorities Board for strategic research, involving Government, academic, consumer, environmental and industry representatives to set the agenda for public research on food and farming matters.

The Government endorses the need for strategic research and acknowledges the potential benefits of enhanced co-ordination and the scope for a more joined up approach. A detailed consultation of stakeholders revealed widespread support for a Priorities Board addressing the UK Food Chain Research programme. Government will hold discussions with major stakeholders on the operation and composition of the Board. Detailed proposals for a Board will be made early in 2003.

**Recommendation 6:
APPLIED RESEARCH FORUM**

Page 29

Industry levy bodies should be setting in place joint priority-setting arrangements for their own applied work. This new Applied Research Forum should provide a virtual management structure for research that should agree the research strategy and help co-ordinate the agenda for every sector of the industry, including on technology transfer, training and education.

The Government has actively encouraged the levy bodies to take forward this recommendation. The levy bodies have agreed to establish an Applied Research Forum. A draft remit and structure for the Forum has been agreed amongst the levy bodies. Government is committed to working with the levy bodies both in the establishment of the Forum and playing an active part in its deliberations. Government would expect an input from the Applied Research Forum to the proposed Priorities Board.

**Recommendation 7:
DEMONSTRATION FARMS**

Page 30

Defra should work with the Applied Research Forum and the levy bodies to establish a pilot scheme of demonstration farms by the end of 2002. There is a strong case for putting modest funding behind such a programme.

The Government announced on 26 March 2002 that a pilot demonstration farm scheme to test the effectiveness of this method of transferring knowledge to farmers and other land managers would be set up. The ELITE Consortium of land-based colleges successfully bid for the contract to establish and manage a network of demonstration farms, and launched the project on 25 October 2002. An expert advisory group is assisting with the overall direction of the project, and the early results will feed into the work programme described in the response to Recommendation 54B.

A permanent food chain centre should be established to bring together people from each part of the food chain. It should be facilitated by the Institute of Grocery Distribution (IGD). The Government should part-fund the centre's work.

The IGD, with the support of industry, established a new Food Chain Centre soon after the publication of the Commission's report. An ambitious programme of work reflecting the Commission's priorities has already been agreed and good progress is being made on the initial projects. Some projects already under way include:

- red meat value chain analysis;
- work to review what information sharing is taking place, identify best practice, encourage more sharing and establish what information would most benefit farmers; and
- a review of current benchmarking services and recommendations on best practice.

The programme is being overseen by a broadly-based Steering Group chaired by Deirdre Hutton, on which the Government is represented. The Government has contributed to the initial work of the Centre through its grant to the Red Meat Industry Forum (Recommendation 19) and in other ways. It has made benchmarking and spread of best practice a priority under the new Agricultural Development Scheme; we will be looking to help fund projects that have a potential industry-wide effect and show commitment from the whole supply chain. The Food Chain Centre will be well placed to apply for grant aid under this scheme.

(A) The Office of Fair Trading (OFT) should undertake a full, formal review of the workings of the new code of practice on supermarkets' dealings with suppliers two years after its introduction.

(B) All suppliers, retailers and food service companies should sign up voluntarily to the code of practice on supermarkets' dealings with suppliers.

(C) The current dispute resolution mechanism in the code should be re-examined by the OFT. It should be replaced by an independent mediation service, facilitated by the IGD.

(A) The OFT has been keeping in close touch with the operation of the code by continuous monitoring of the practices of the four biggest supermarkets in dealing with their suppliers, through liaison with relevant supplier trade associations. (These supermarkets gave binding undertakings to comply with the code following the Competition Commission October 2000 report on supermarkets - Cm4842.) The OFT proposes that relevant trade bodies advise it at regular intervals (say every six months) on the operation of the code. OFT will publish an annual report on how the code has been working, particularly in relation to dispute resolution.

(B) The Government believes that the code of practice can set a standard for the industry as a whole. We endorse the Commission's call and are actively encouraging retailers and others in the food chain to apply the principles and practices set out in the code on a voluntary basis.

(C) This recommendation is based on the belief that the supermarket appoints the mediator. In fact the mediator must be agreed by both the supplier and the supermarket. Parties to a dispute are therefore free to choose any mediator. The code requires mediators to report disputes to the OFT to assist in monitoring the effectiveness of dispute resolution. The OFT will consider amending the procedures if there is evidence that they are not working properly.

(A) Believe strongly in the potential of collaborative ventures for all farmers large and small.

(B) The competition authorities should consider the wider market context, particularly the consolidation of international suppliers, when looking at new or expanding collaborative ventures.

(A) The Government shares the Commission's view on the potential for collaborative ventures. On 23 July, Defra announced that projects to strengthen and expand collaborative activity among farmers and growers would be one of the priorities of the new Agricultural Development Scheme. The industry has also responded to the call for greater collaboration by developing proposals for a new body to promote collaboration (see Recommendation 11).

(B) The Government notes the Commission's comments on this issue. Responsibility for assessing whether proposed mergers would be likely to have adverse effects on competition in the markets concerned rests with the competition authorities. As part of their assessment they always consider the wider market context, including the scope for competition from abroad. The competition authorities are required to treat each case fairly and on its individual merits. Their judgements must be justified, and the competition legislation provides means for legal challenge to the decisions of the competition authorities.

The Government believes the competition machinery deals fairly with cases involving collaborative ventures. It notes that a number of mergers involving co-operatives have been cleared over the past few years. The Office of Fair Trading (OFT) is willing to provide informal guidance, often at an early stage, to parties to a merger. This may assist the parties to prepare proposals that will avoid competition problems. In addition, and in view of the concerns reported to the Commission about the approach of the competition authorities to cases involving co-operatives, the OFT has been meeting with farming interests to explain how the competition machinery works and how it relates to them. It is also planning to post answers to frequently-asked questions on this subject on its website.

Recommendation 11:
ENGLISH COLLABORATIVE BOARD

Page 36

An English Collaborative Board should be established, with a small secretariat. This board would be responsible for encouraging and supporting collaborative activity and should advise Government on the direction of Government grants available to collaborative ventures.

The Government believes this proposal represents a real opportunity to make a significant contribution to achieving sustainable, profitable and competitive agricultural and horticultural sectors. It therefore welcomes the announcement by an industry-led steering group on 27 September of proposals for the establishment of a new industry body to promote collaboration. This body, to be called English Farming and Food Partnerships, will be part funded by Government.

Recommendation 12:
EU SAFETY NET AIDS

Page 37

The Government should support the development of basic safety net aids at EU level, once CAP price support is removed. Such aids should operate so that they do not distort markets over the longer term but provide short-term relief during periods of market volatility.

This is a contingent recommendation: it only becomes relevant once the substantial reform of the CAP recommended by the Policy Commission, and being pursued by the Government, is achieved. We will need to consider this recommendation seriously once the likely shape of CAP reform becomes clear.

Recommendation 13:
FINANCIAL RISK MANAGEMENT

Page 37

The Treasury should consult with banks and other financial bodies to investigate the efficient provision of suitable financial risk management instruments at a reasonable cost. Collaborative farming ventures should be involved in these discussions.

See the response to Recommendation 3 above.

**Recommendation 14:
DISEASE INSURANCE**

Page 38

Defra, with the Treasury, should lead a group on disease insurance with the industry and insurers. The working group convened in the aftermath of Classical Swine Fever should be reformed for this purpose. The Government should be ready to help if the cost of insurance packages would be prohibitive.

The Government supports the view of the Policy Commission, and also the Anderson Inquiry into Foot and Mouth Disease, that the risks and costs between the farmer and the taxpayer in this area should be rebalanced. Defra has been working on policy options, including insurance and levy mechanisms, for Government and the livestock sector to share the costs of future outbreaks of animal diseases. A Defra-led working group comprising representatives from the livestock and insurance industries completed the initial phase of this work in May 2002. Proposals for sharing the costs of animal diseases are being prepared for wide-ranging consultation, in the context of Defra's forthcoming Animal Health and Welfare Strategy due to be published in 2003.

Recommendation 15:
MEAT IMPORT CONTROLS

Page 38

The Government must strengthen checks and controls of illegal imports of meat products, to reduce national levels of exposure. Defra must draw up a sophisticated assessment of the risks from illegal imports, and then lead a cross-departmental approach to implement it, on the shortest possible timescale.

The Government agrees that checks and controls on imports must be strengthened. New money is being made available this financial year and more will be available in each of the next three years. Following consultation with a wide range of interests, the Government published an action plan that not only strengthens checks on illegal imports of meat products, but goes further to include other products of animal origin and plants/plant products. The action plan contains a wide range of measures, including the risk assessment recommended by the Policy Commission, improved intelligence, increasing public awareness, better enforcement, co-ordination and co-operation, and learning lessons from other countries.

Good progress is being made. Government will be spending about £3 million this financial year to implement the action plan, of which about £1.5 million will go towards increased inspections for illegal imports. A Cabinet Office review of enforcement structures has recently concluded. All anti-smuggling activity will move to Her Majesty's Customs and Excise, to meet performance objectives to be agreed with Defra, who retain policy responsibility. Customs will bring their established detection skills to the issue - particularly in the development of intelligence packages and risk profiling for smuggled goods. Improved co-ordination between the main control agencies will be overseen by a new Ministerial group.

The risk assessment is being undertaken by the Veterinary Laboratories Agency who aim to submit their report to Defra by Christmas 2002, for publication early in the New Year. The steering group overseeing the work includes external stakeholders and other Government departments and agencies. Progress reports are published on the Defra Illegal Imports website.

To raise public awareness of our import rules, we launched a campaign of leaflets, a radio commercial and a website warning travellers, "*Don't bring back more than you bargained for*" and "*If in doubt, keep it out*". Two videos have been launched and have been well received by stakeholders. The videos are being offered to airlines for use in-flight and to broadcasters and Queue TV outlets for raising awareness at home.

The six-month pilot study into the use of detector dogs commenced on schedule on 16 September 2002. The pilot has proved valuable in determining the attributes and level of training required for both dogs and their handlers and the back-up services we need to support the dog teams.

For more information, visit the Defra website at:
www.Defra.gov.uk/animalh/illegal

Recommendation 16:
SEASONAL AGRICULTURAL WORKERS

Page 39

The quota for the Seasonal Agricultural Workers' Scheme should be increased immediately to 50,000 and the quota and the terms of the scheme reviewed regularly.

The Government's Nationality and Immigration White paper published on 7 February announced the intention to review the existing Seasonal Agricultural Workers' Scheme (SAWS) to see how it can better meet the needs of the agricultural industry. The Home Office led the review, working closely with Defra, and consulted a wide range of stakeholders and others with an interest in the scheme. The full recommendations arising from the review are detailed on the Home Office website.

Though the review found no evidence to support an immediate increase in the annual quota to 50,000, the quota for 2003 will be increased from 20,200 to 25,000 places in recognition of the continuing demand for SAWS participants from farmers and growers and the implementation of some of the changes next year. Future quota levels will be reviewed annually by stakeholders on the basis of the evidence presented, in particular annual bids submitted by operators who will be appointed to administer the scheme.

Most of the recommendations of the review will be implemented with effect from 2004. However, in order to meet the seasonal needs of agriculture currently excluded from SAWS, the Government will be extending the SAWS season with effect from 2003, subject to the capacity and constraints of the existing arrangements.

The Red Tractor should be a baseline standard for all food produced in England, extended to cover environmental standards, and welfare standards should be reviewed.

Current assurance schemes need to be rationalised behind the Red Tractor mark. The Red Tractor and the standards underpinning it need to be owned by the whole food chain, managed by Assured Food Standards (AFS) on their behalf. AFS needs funding from Government, matched by the industry, to ensure its independence while standards are developed and rolled out. AFS may have to review its constitution and board composition.

Once this new structure and standards are in place, the Red Tractor mark needs to be more strongly promoted to farmers, consumers and the food service industry. There is a role for ongoing Government funding to drive this forward, subject to EU state aids rules. This funding should be matched by the industry and the levy bodies.

The Government recognises that assurance schemes can be an essential tool in reconnecting producers with their customers. By commitment to clear standards, farmers and growers can secure greater and more stable market outlets. Consumers benefit from transparent information, which enables them to choose produce which has guaranteed standards of quality, safety, environmental protection and animal welfare.

Plans for the restructuring of the Red Tractor scheme were announced at a major conference on 12 November 2002 organised by the NFU. This was an important step towards the achievement of the Commission's vision of a baseline standard owned by the whole food chain.

The plans have been developed in consultation with retail and consumer interests and take account of the Food Standards Agency's views on governance and transparency. AFS, which played a leading role in the initiative, is working to establish a baseline environmental standard for the Red Tractor. It will also be reviewing animal welfare standards.

The Government is actively encouraging these initiatives and has made assurance one of the priorities under the new Agricultural Development Scheme announced in July 2002.

Recommendation 18:
INTEGRATION OF ASSURANCE SCHEMES

Page 41

There should be discussion about pulling initiatives together under a higher-tier assurance umbrella and collaboration between the sponsoring organisations, to ensure that the maximum impact is realised and that the consumer is not confused by a plethora of similar initiatives.

The interests of the consumer are a top priority for this Government. The Food Standards Agency's recent review of assurance schemes has made a number of recommendations aimed at reducing consumer confusion. The outcome of the consultation on this review will help shape our policy on higher-level schemes. In the meantime we will continue to encourage those developing, administering and marketing higher-level assurance schemes to work together.

Recommendation 19:
RED MEAT SUPPLY CHAIN

Page 42

A whole supply chain approach to improving competitiveness in the sector will be needed. The long supply chain in red meat is one of the reasons why competitiveness is slipping, and market messages and signals are being diffused before they reach the primary producer. As recommended elsewhere (Recommendation 8), the red meat chain should, with fresh produce, be the first to be examined by the new Food Chain Centre. The Centre and the Meat and Livestock Commission (MLC) will need to work closely together to agree and act on the results of this work.

The Government fully endorses the work of the Red Meat Industry Forum and its Ten Point Action Plan to improve red meat food chain competitiveness. Contributory Government funding of £1.5m is helping the Forum with three of the action points (value chain analysis, benchmarking and masterclasses). Value chain analysis is being fast-tracked by the Food Chain Centre and good progress is being made by its contractor, Cardiff Business School. Benchmarking for farmers is already being rolled out through a system called METRICS, which is available on the internet. A dedicated Management Group with Defra participation is processing the plan and information is being disseminated as results from work on the plan emerge.

**Recommendation 20:
PROCESSING AND MARKETING GRANTS**

Page 43

(A) Funding for Processing and Marketing Grants (PMG) should be expanded by £5m per year for the next three years, to assist collaborative enterprises.

(B) The upper threshold on grants should be removed to allow larger projects to be funded if this offers best value for money. At the same time the lower threshold should also be reduced to allow small enterprises access to funds.

(A) The Government agrees that increased funding for the PMG is desirable within the England Rural Development Programme (ERDP). Future allocations will be decided as part of the wider development of the ERDP.

(B) The Government is sympathetic to removing the minimum project size under the PMG and has consulted on a proposal to remove it. However, in the light of that consultation and a fuller consideration of the broader implications for the Rural Enterprise Scheme (RES), we have decided to retain the £70,000 minimum project size for the present time. Currently, on-farm projects of under £70,000 are eligible under the farm diversification measure of RES. If the limit were removed, under the EU legislation, these projects would no longer be eligible under RES and would instead have to apply under the PMG, for which the grant rate is lower and the rules more prescriptive.

The Government has also reviewed the upper limit on grant awards and concluded that, with the current pattern of demand and level of funding, it would not be appropriate to allow an individual project to consume such a large proportion of available resources. Furthermore, there are risks of distorting competition in awarding very large sums to one enterprise. Therefore, we have decided to retain the £1.2m limit on grant aid for the present time.

The Government will be commissioning an economic evaluation of the PMG over the next year. We will review the rules of the scheme again in light of this evaluation, the financial resources available and the demands upon them.

**Recommendation 21:
RURAL ENTERPRISE SCHEME**

Page 44

The Rural Enterprise Scheme budget should be substantially increased at the CAP mid-term review.

The Rural Enterprise Scheme provides financial support, not just for local food businesses, but also for rural tourism businesses and farm diversification projects. The Government agrees that the scheme budget should benefit from any greater allocation of EU rural development funding achieved as part of the UK's objectives for the CAP Mid-Term Review (see also Recommendation 64).

Regional Development Agencies (RDAs) should consider how to overcome problems of distribution and availability of processing within their regional economic strategies and seek to encourage the networking and planning that are necessary for the development of these local initiatives. Where third-party processing facilities are available, every effort should be made to work with existing businesses.

Where there is an identified need, we recommend that professionally-managed collaborative ventures developing processing units should have a high priority for grant funding and Government-aided venture capital initiatives. The English Collaborative Board (Recommendation 11) should be involved in scrutinising these applications.

The Government actively promotes the provision of local solutions to local issues wherever practicable. This is one of the reasons we established RDAs in 1998. Most RDAs have been considering how best to address the issues highlighted by the Policy Commission in the context of their regional economic strategies. Initiatives aimed at overcoming problems of distribution and availability of processing include food hubs and the provision of shared facilities for food businesses. In addition, it is likely that RDAs will be considering how to improve distribution within the programme of regional food initiatives they will be carrying out in partnership with Food From Britain (see Recommendation 24).

We are encouraging the RDAs to include an analysis of the red meat food chain in their regional economic strategies with a view to using the schemes under the Rural Development Regulation (Processing and Marketing Grants and the Rural Enterprise Scheme) to maintain the viability of small and medium sized abattoirs where this is identified as a regional problem. Some RDAs have already done this.

Defra Processing and Marketing Grants are available for the development of processing facilities by collaborative ventures in line with the recommendation.

Recommendation 23:
LOCAL FOOD OUTLET RATE RELIEF

Page 45

Retailers who give over a proportion of their store as an outlet for local producers to sell direct to the public should receive business rate relief on that part of their premises.

Local production for local consumption can have a number of economic, environmental and social benefits and many retailers are already selling local produce in their stores. However, there are concerns about how this recommendation would work in practice, not least because each retail store would have to be evaluated for the proposed rate relief and a reassessment would be necessary every time retailers changed the proportion of their stores dedicated to local produce. There would also be problems with defining what constitutes local. Moreover, targeted tax breaks fall for consideration under the EU state aid rules and this proposal would not be permissible given that it would potentially discriminate against producers from other member states and impede fair competition. In addition, food retailers have indicated that they do not favour the proposal. There are other options, which may also be more effective. The Local Government Bill announced in the Queen's Speech on 13 November 2002 will introduce a new scheme of rate relief for small businesses. Many small retailers supplying local produce could benefit under this scheme.

Recommendation 24:
REGIONAL FOOD: FOOD FROM BRITAIN

Page 46

Management of regional food should transfer from the Countryside Agency to a specialist body such as Food From Britain (FFB), and its regional food groups. FFB should be given a new remit and terms of reference to reflect its new role, as well as additional funding if needed.

Defra, FFB, the Regional Development Agencies and the Countryside Agency have jointly prepared a new structure for support of regional food initiatives, with FFB taking a lead role in England and receiving Government grant to promote regional food. Appropriate new objectives will be included in FFB's operational plan for 2003/04.

Recommendation 25:
RDAs: REGIONAL FOOD STRATEGIES

Page 46

Each Regional Development Agency (RDA) should work with Food From Britain (FFB) and other partners to devise a regional food component to their regional economic strategies. The Countryside Agency should hand its work in this area on to FFB and the RDAs.

FFB has been holding meetings with the RDAs to discuss regional food strategies. Most RDAs now have a regional food strategy in place, often as part of their wider agri-food strategies. The remainder are in the process of developing such strategies.

**Recommendation 26:
PROTECTED FOOD NAMES SCHEME**

Page 46

Industry bodies should do more, with the help of Food From Britain (FFB) and regional food groups, to ensure that English producers take part in the protected food names scheme.

The Government is actively encouraging the industry and FFB to take this forward. Following a campaign launched by the previous Minister of Agriculture, Nick Brown, to promote awareness of the EU protected food names scheme, Defra has written to relevant trade associations to remind them of the economic benefits to producers of achieving protected name status and inviting them to submit applications or discuss potential ones with us. We have written in similar terms to producers who expressed interest in the scheme during the campaign but who subsequently decided not to pursue an application. The Government is working with FFB to organise a series of workshops in spring 2003, designed to bring supermarkets, other retailers and the food service industry together to examine how they might be able to help increase both public and producer awareness of the scheme and help it move towards critical mass.

**Recommendation 27:
LEVY BODIES/IMPROVED RED TRACTOR**

Page 47

Levy bodies should consider with their stakeholders whether greater benefits can be obtained through redirecting resources currently going to generic promotion towards supporting an improved Red Tractor scheme.

The Government will be actively encouraging levy bodies to consider this recommendation once the proposals for the restructuring of the Red Tractor scheme have been progressed.

**Recommendation 28:
HORTICULTURAL DEVELOPMENT COUNCIL**

Page 47

As part of the Government's commitment to increasing fruit and vegetable consumption, the statutory basis of the Horticultural Development Council (HDC) should be changed to enable it to engage in promotion in same way as other levy bodies.

The Government has discussed this recommendation with industry organisations who strongly supported Government efforts to increase consumption of fruit and vegetables, particularly through the five-a-day programme, and agreed that the functions of the HDC should be reviewed. Whilst we recognise that the industry is hesitant to use levy funding for promotional activity, we propose to include additional powers in an amendment to the HDC order which is planned to come into effect on 1 April 2003. The use of these powers will be a matter for the HDC itself to decide.

Recommendation 29:
WHOLE FARM APPROACH TO REGULATION

Page 49

Regulation should move towards whole farm approaches, with flexible management of environmental risks and basing enforcement of regulation on risk assessments.

The Government shares the Policy Commission's approach to regulation. Focusing on policy outcomes rather than bureaucratic processes should help farmers to improve the management of their businesses. The whole farm approach should provide a strong base for both business planning and the reduction of the burdens Government places on farmers.

Industry has welcomed this approach in principle, and we are working closely with stakeholders to expand and develop ideas and to address issues that might stand in the way of its success. We are currently compiling information on the full range of business contacts between Government and farmers and hope to have a comprehensive database in place by spring 2003. In parallel, we are working to rationalise the amount of data that Government collects from farmers and, at the same time, make it easier for farmers to access useful information.

The Government supports a risk-based, proportionate approach to regulation and is developing farm audits as a tool to help farmers understand regulatory requirement and improve their performance. We also aim to make increasing use of audits as a means of helping regulators determine where their effort might best be expended. Pilot audits, including an electronic risk assessment form to ease compliance with occupational health and safety law, and one designed to support the new entry level agri-environment scheme (see Recommendation 71), will be launched during 2003.

Recommendation 30:
DEFRA TO MONITOR COSTS OF REGULATION

Page 49

The Government should monitor the cumulative effect of regulation. Defra should publish an annual aggregate compliance costs figure for new regulations in Agriculture in the UK, its annual statistical report on the industry. The likely benefit to accrue from any new regulation should be identified and if possible quantified.

The Government fully recognises industry's concerns about the impact regulation can have on businesses. We are committed to regulating only where it is necessary to do so and will continue to seek to minimise existing regulatory burdens wherever possible. The existing Regulatory Impact Assessment (RIA) process already helps minimise adverse regulatory impact and we are not convinced that this proposal would deliver benefits that would justify the considerable resource necessary across a range of Government departments.

**Recommendation 31:
CODIFY REGULATION INTO SINGLE WEB SITE**

Page 49

Defra should seek to codify all existing regulation into a single web site. This service should be integrated with the front-end service (Recommendation 56). Defra should discuss with the Department of Trade and Industry (DTI) ways in which microbusinesses in other sectors manage regulation, and should use this information to spread best practice.

The Government will develop a clear business case with the aim of developing a web site along these lines. We will work with interested parties to define more precisely the types of information and guidance our customers would find most useful; and to reach a consensus on how the set-up and maintenance costs of such an operation might be funded.

Defra has initiated work with the DTI's Small Business Service to take forward the second part of this recommendation.

**Recommendation 32:
ANIMAL HEALTH STRATEGY**

Page 50

Defra - in consultation with the industry - needs to devise and implement a comprehensive animal health strategy.

The Government recognises the need for a comprehensive and sustainable animal health strategy that will provide strategic direction and set priorities. This recommendation was endorsed by the independent inquiries into the Foot and Mouth outbreak in 2001, which also recommended such a strategy should be developed for Great Britain. Government is now engaged in developing, in partnership with the devolved administrations and a wide range of stakeholders, an Animal Health and Welfare Strategy for Great Britain, intended to reduce the economic, social and environmental impact of animal diseases and improve the welfare of animals kept by man.

Informal discussions with key stakeholders have taken place and a wider consultation will be carried out during the winter with a view to producing a strategy in spring 2003.

**Recommendation 33:
NATIONAL SCRAPIE PLAN**

Page 50

Eligible sheep farmers are encouraged to participate in the voluntary National Scrapie Plan (NSP).

The Government was very pleased to launch the NSP and congratulates the State Veterinary Service and others involved in this major achievement.

We are encouraged by the positive uptake in the NSP thus far. To date, over 11,000 expressions of interest have been received and over 7,000 applications. In the registered pure-bred sector, expressions of interest have been received from nearly half of those eligible and firm applications from one third.

We also note the close co-operation of key stakeholders throughout the ongoing development of the plan, which has led to adaptation of some of the NSP rules to recognise the differing circumstances of individual breeds. The Animal Health Act, which received Royal Assent in November 2002, provides the Government with enabling powers to make participation in the NSP compulsory at an appropriate future date.

We urge all eligible farmers to join the NSP to help secure its animal and public health objectives of developing a scrapie- and BSE-resistant national flock.

**Recommendation 34:
LIVESTOCK TRACEABILITY**

Page 50

Full electronic traceability of livestock should be achieved as soon as possible. Defra and the industry need to put in place better systems to trace sheep and pigs if their movements entail anything more than one movement to slaughter, as well as enhancing the current system for cattle. This will reduce the remaining paper burden on livestock farmers.

The Government accepts the need to improve systems for identification and tracing of sheep and pigs and enhancing the current system for cattle. The 2002 Spending Review settlement recognised this by agreeing that improvements to livestock identification systems should receive significant extra investment. Foot and Mouth Disease (FMD) has shown the importance of such measures for disease monitoring and control. The Government agrees that electronic identification together with electronic data transfer is the way forward. Technological advances are needed before industry-wide implementation is possible. The views of the European Commission are also needed, as it is important that any new systems are developed on an EU-wide, harmonised basis to encourage international trade. An industry/Defra steering group has been set up together with the Livestock Identification and Tracing Programme to resolve implementation issues and to take the work forward. Meanwhile, interim measures are being put in place to improve tracing of sheep, pigs and goats through licensing and recording of batch movements and measures are in train to upgrade the Cattle Traceability System.

**Recommendation 35:
OVER THIRTY MONTH SCHEME (OTMS)**

Page 51

(A) We welcome the Food Standards Agency's (FSA) intention to review the Over Thirty Month rule and recommend that this review should be launched as soon as possible.

(B) An exit strategy for the OTMS needs to be negotiated with the EU.

(A) The FSA review is in progress. Research has been commissioned to provide predictions on the course of the BSE epidemic, to inform a risk assessment being carried out by a joint FSA/Spongiform Encephalopathy Advisory Committee (SEAC) scientific group. A stakeholder group, which will advise the Agency on whether or not the rule could be changed without unacceptable risk to consumers, has also started work. The first of two public meetings was held on 2 July 2002. A second public meeting will form part of the consultation process towards the end of the review, which will culminate in a recommendation to Ministers in May/June 2003. The EU is being kept informed as the review progresses.

(B) If the outcome of the review is that the food safety controls on over thirty months animals can be lifted, either wholly or partly, then the Government will be looking to make the corresponding changes to the OTMS at the same time.

**Recommendation 36:
DATE-BASED EXPORT SCHEME**

Page 51

When the UK moves into the 'low risk' category, the Date-Based Export Scheme (DBES) should be wound up. The Government should press for changes to the DBES to reflect the low rates of BSE infection in under thirty month English cattle, making it more accessible for beef exporters.

When the rate of BSE declines in the UK so that it moves into the *moderate risk* category (new terminology for category previously called *low incidence*) this will enable DBES to be wound up. The criteria for this category are currently under discussion in Brussels and the OIE (the World Organisation for Animal Health), but the UK could be some years away from meeting the requirements. In July 2002 we achieved our main objective for change to the DBES when the EU agreed that approved establishments would no longer have to be dedicated to handle only export-eligible cattle and beef. This should encourage greater participation in the scheme and the first exports since Foot and Mouth disease took place under the new arrangements on 25 September. The announcement by the French Government on 25 October that it had lifted its ban on British beef should also provide a welcome boost to future exports.

**Recommendation 37:
AGRICULTURAL WAGES BOARD**

Page 52

In 2004, after the CAP Mid-Term Review and in anticipation of large-scale CAP reform, the Government should reconsider the future of the Agricultural Wages Board (AWB).

The Government does not believe that large-scale CAP reform would remove the need for the AWB. Following a review in 1999, the Government confirmed that the Board would be retained for a further five years. We also announced our intention to modernise the way in which the Board operates. Work on this is continuing in consultation with the NFU, the Transport & General Workers Union and other stakeholders. Like all public bodies, the Board will remain subject to regular review.

**Recommendation 38:
PLANNING**

Page 54

The Department for Transport, Local Government and the Regions (DTLR) should implement the conclusions of this research quickly, and make sure that all planning authorities are resourced to follow best practice and give proactive advice to rural businesses considering diversification.

Most of the research report's recommendations were directed at local planning authorities and it was sent to all relevant planning authorities in England. Ministers have actively encouraged them to improve performance. The fundamental planning reforms announced in the Government paper *Sustainable Communities - Delivering through Planning* (July 2002) will deliver a more efficient and effective planning system. There will be more money for planning authorities committed to improving standards of service to businesses, including rural ones, and to local communities.

A Farmer's Guide to the Planning System has been updated and includes advice on working constructively with planning authorities.

Preparatory work has begun for reviewing key national planning policy guidance on the countryside (PPG7), which includes rural business diversification. This is part of the Government's commitment to improve the clarity of such guidance and focus more clearly on implementing policy objectives.

**Recommendation 39:
STRATEGY FOR NON-FOOD CROPS**

Page 54

England needs a long-term strategy for creating and exploiting opportunities in non-food crops, including starch and oils. This area should be a high priority for research and technology transfer effort.

The Government, with industry and science partners, is pursuing avenues to promote the sustainable exploitation of non-food crops. The Government/Industry Forum on Non-Food Uses of Crops has published its first annual report and will continue to provide strategic and targeted advice. Defra and DTI are working with partners on the establishment of a new Non-Food Crops Centre to promote innovation, identify markets and provide authoritative data and advice to producers and industrial users.

Defra and DTI are also considering setting up a joint initiative to provide support to promote technology transfer through demonstration projects

**Recommendation 40:
DUTY ON BIOFUELS**

Page 55

The Government should reduce duty on biofuels to that charged on other clean fuels.

The Chancellor of the Exchequer sets fuel duty rates on a Budget-by-Budget basis, with reference to environmental, social and economic objectives. Taking into account the reduced greenhouse gas emissions that biodiesel can offer and its cost of production, the Government has reduced duty on biodiesel by 20 pence per litre. In addition, in the light of new environmental data and new research, the Government announced in the 2002 Pre-Budget Report its intention to reduce duty on bioethanol by the same amount. The Government will discuss with stakeholders when to introduce this incentive, with a view to announcing decisions in Budget 2003. The rate of duty on biofuels, as with all fuel duty rates, will continue to be considered as part of the Budget process in the normal way.

**Recommendation 41:
COMBINED HEAT AND POWER AND GASIFICATION PLANTS**

Page 55

Planning guidance must strongly support development of local Combined Heat and Power (CHP) and gasification plants, in the context of developing new energy markets.

The Government welcomes the Policy Commission's support for the development of local CHP and gasification plants. The Government is committed to developing renewable energy and promoting CHP and this recommendation would make a positive contribution towards achieving the Government's goals. The current Planning Policy Guidance is being revised to reflect this and a draft will be issued for public consultation at the turn of the year. The development of new energy markets, including the role of CHP plants, will also be a key component of the forthcoming White Paper setting out an energy policy framework that effectively achieves all three objectives of sustainable development: economic, environmental and social improvement.



Recommendation 42:
FARM BUSINESS TENANCIES: TAX REVIEW

Page 57

Defra, the Department for Transport, Local Government and the Regions and the Treasury should conduct a review of the tax position of Farm Business Tenancies (FBT) to see how changes could encourage longer lets and sensible diversification.

The Government has recently consulted on reforms to corporation tax with the aim of reducing distortions and unnecessary complexity, and a major exercise to modernise stamp duty is also under way. In the Pre-Budget Report 2002, the Chancellor announced the intention for further consultation on proposals for corporation tax reform, and to continue consultation on the reform of Stamp Duty. In taking forward these reforms, the Government will take into account the Policy Commission's recommendations on tax, and other potential reforms that would minimise distortions that create barriers to innovation and diversification in the rural economy. The Chancellor will consider specific proposals as part of the normal Budget process.

Recommendation 43:
FBT: CAPITAL GAINS TAX RELIEF (1)

Page 57

The above review should consider whether a new form of reinvestment relief within Capital Gains Tax should be introduced to allow landlords to defer capital gains that are reinvested in improvements to let land under the 1995 Act during the term of the tenancy.

See the response to Recommendation 42 above.

Recommendation 44:
FBT: CAPITAL GAINS TAX RELIEF (2)

Page 57

The above review should consider whether land and buildings subject to a FBT that is used for the purpose of any trade conducted by an unincorporated tenant, should qualify as a business asset for the purposes of Capital Gains Tax paper relief.

See the response to Recommendation 42 above.

**Recommendation 45:
FBT: DEFINITION OF AGRICULTURE**

Page 57

Once Defra has the outcome of the Plymouth University study on Farm Business Tenancies, it should, with relevant organisations, revisit the definition of 'agriculture' within tenancy legislation.

Following publication of the Plymouth report in April 2002, the Government has consulted informally with the interested groups on its recommendations for changes to tenancy legislation, including the definition of 'agriculture'. At industry's suggestion, the Tenancy Reform Industry Group has been reconstituted to try to achieve an industry consensus on changes to tenancy law that will facilitate diversification and participation in agri-environment schemes by tenants, without discouraging the letting of land. The Group has started its work and the Government expects it to make recommendations by the end of April 2003.

**Recommendation 46:
ADVICE FOR RETIRING FARMERS**

Page 58

Defra should work up a supporting pack of advice for farmers considering retirement, in consultation with industry bodies, banks, the Small Business Service and the Revenue Departments. The advice should include business planning, succession planning, retirement planning, taxation planning, change management, training needs analysis and an overview of existing Government support measures.

Defra has begun to develop a supporting pack of advice for farmers considering retirement, in consultation with stakeholders. The pack will be available by June 2003. The availability of advice and support for farmers considering diversification, as opposed to retirement, will be reviewed as part of the programme of work outlined in the response to Recommendation 54B.

**Recommendation 47:
CAREERS ADVISORY PROMOTION**

Page 59

The Government, in partnership with the farming industry, should develop positive promotional materials for careers advisory services, both for school leavers and adults.

In October 2001 the Government announced Sector Skills Councils (SSCs). SSCs are influential employer-led bodies. They will lead the drive to improve skills and productivity significantly in industry and business sectors throughout the UK.

SSCs will be experts on their sectors and understand the key drivers influencing sector development and the implications for the demand, supply and use of skills. They will work with employers, trade unions, Government, and other partners to deliver key skills and productivity priorities to improve business competitiveness and public sector performance.

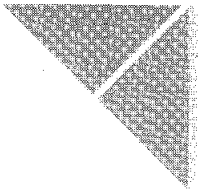
Lantra has been designated as a trailblazer Sector Skills Council for environmental and land-based industries, including farming. It has recently published a *Careers in Land-Based Industries* booklet and *Modern Apprenticeships in the Environmental & Land-Based Sector* leaflets aimed at school leavers and adults. The Government welcomes the fact that Lantra's consultation draft business plan proposes a series of measures to market the land-based sector and career opportunities within it to meet the sector's future needs.

**Recommendation 48:
NEW ENTRY METHODS TO FARMING**

Page 59

Promotion of alternative entry methods, such as share farming or contract farming, is encouraged. Innovations such as work-to-rent (whereby partnerships are formed between existing tenants who want to leave the business and new entrants) have potential.

See the response to Recommendation 49 below.



**Recommendation 49:
NEW AND RETIRING FARMER MATCH SERVICE**

Page 60

The Government should sponsor the National Farmers Union (NFU) to create and manage a matching service to bring together new entrants with retiring farmers who do not have identified successors.

The Government takes a close interest in emerging developments in the structure of the industry, and in any evidence of unnecessary or artificial barriers to entry into or exit from the industry. The structure of the industry is the product of individual business decisions. However, Government has a role in providing farmers and potential new entrants to the industry with clarity on the policy framework to enable them to make soundly-based decisions on the business opportunities available.

Government will discuss with stakeholders, including the NFU and the National Federation of Young Farmers' Clubs, how to take forward practical solutions to any artificial barriers preventing new entrants from joining the farming industry. Those discussions could include consideration of whether any Government pump-priming funding is necessary and, if so, what source it might come from.



**Recommendation 50:
DWP REVIEW OF RURAL SCHEMES**

Page 60

There is evidence that the New Deal and other social programmes have had less impact in the countryside than in towns. We urge the Department for Work and Pensions (DWP) to review the rural schemes being developed in Scotland and Wales with a view to testing their feasibility in the English countryside.

The New Deals are Great Britain-wide programmes which are delivered locally, and the services that are provided are tailored to the local labour market conditions. As a result of the flexibility that is a key element of the structure of New Deals, analysis shows that those leaving New Deal for Young People and going into employment is 17 per cent higher in rural areas than in towns and cities.

The Government recognises that barriers to finding employment faced by people living in rural areas may differ from those living in towns and cities, and in particular that in some rural areas, the availability and cost of travel can be a particular constraint when looking for employment. The Travel to Interview Scheme can provide help to people looking for work. In addition, those eligible under the New Deal who are starting work may be given help through the Adviser Discretion Fund (ADF). Personal Advisers have the discretion to decide if funds should be made available to overcome specific barriers to work, including transport difficulties. The ADF has been used in a variety of innovative ways, for example, buying bicycles, helping with the cost of driving lessons, or paying for public transport season tickets. We recently announced that we will be extending access to the Fund to all those who have been claiming benefits for six months or more. New Deal participants in England and Wales can also benefit from help with the cost of rail travel through the New Deal Reduced Rail Fare Scheme, giving 50 per cent off the cost of rail travel

DWP continually monitors the New Deals countrywide through formal evaluations. Areas selected to inform evaluation include a diversity of geographical locations, to ensure that both rural and urban issues are identified. DWP also works closely with local organisations including the devolved administrations in Scotland and Wales, to share good practice and to develop the New Deals to tackle a range of issues.

**Recommendation 51:
APPRENTICESHIPS: 25-YEAR LIMIT**

Page 60

In farming at least, England should match Scotland and Wales in removing the 25 years of age limit on entering Modern Apprenticeships.

The Government is considering the case for opening advanced Modern Apprenticeships to suitably qualified or experienced adults, in line with the recommendations of The Modern Apprenticeship Advisory Committee report: *Modern Apprenticeships - The Way To Work*, published in September 2001. Ministers will decide on the way ahead in the light of early operating experience of arrangements in Wales and Scotland, together with evaluation of current pilots in England, and the availability of resources.

**Recommendation 52:
NEW GRADUATE APPRENTICESHIPS**

Page 61

The current pilots for apprenticeships in veterinary nursing and countryside management are to be welcomed. The Department for Education and Skills (DfES) should support and fund the introduction of graduate apprenticeships in farming, horticulture and land (including woodland) management.

The Government is committed to ensuring that higher education provision meets the needs of employers, and equips graduates with the skills and knowledge they will need to make a valuable contribution in the labour market. Although we are making no more funding available to develop further Graduate Apprenticeship frameworks beyond the original £5m pump-priming funding, we are working with the Higher Education Funding Council for England to put in place arrangements to ensure that the good practice identified during the pump-priming phase is transferred to other parts of the Higher Education (HE) sector together with good practice from other initiatives to enhance graduate employability.

We are also working with the HE sector to extend the range of the new foundation degrees which became available for the first time in September 2002. Lantra, the Sector Skills Council for the Environmental and Land-Based Sector, contributed to the early design features and development of prototype foundation degrees in equine studies and land-based industries. DfES, Defra and Lantra are discussing how they can work together to progress the development and uptake of foundation degrees in the environmental and land-based industries.

**Recommendation 53:
VOCATIONAL TRAINING SCHEME (VTS)**

Page 61

The administration of the VTS should be simplified as far as is possible within EU rules. It should also be better integrated into the environmental management aspects of the England Rural Development Programme.

A review of the operation of the VTS to identify opportunities to improve the profile of the scheme, rationalise the eligibility criteria, and simplify the application and administration processes is complete. The proposals identified by the review are now being taken forward, though some will need to be cleared with the European Commission. Subject to receiving approval, the changes will be introduced early in 2003.

AGRICULTURAL EDUCATION: LANTRA/DEFRA REVIEW

(A) Universities and agricultural colleges should be fully involved in the Centres of Vocational Excellence (CoVE) programme.

(B) Lantra and Defra should review agricultural education in full.

(C) Every institution should aim to develop at least one CoVE by 2004.

(A) The Government welcomes the contribution agricultural colleges have already made in establishing the CoVE network. We anticipate further agricultural colleges becoming involved as the network rolls out over the next two years. Universities are also playing a part and the Learning and Skills Council is working to enhance their involvement.

(B) The Government recognises that there are important issues surrounding access to and take-up of opportunities to improve the skills base in farming and other land management businesses. Many of these have been identified by the Policy Commission and other studies. Against this background, the Government announced an initial positive response to this recommendation on 26 March. Since then, there have been discussions with key partners (including Lantra and the Learning and Skills Council) which have helped clarify the key issues needing attention. As a result, the Government announced on 21 November its plans to include skills issues within a broader customer-focused programme of work, looking at advice and information services as well as access to learning provision. This integrated approach recognises that there are many different routes to improving knowledge other than formal training through the colleges. Demonstration farms, for example, are a key means of promoting new skills throughout a farmer's working life. The primary aim of the work is to examine whether there are barriers to land managers and other occupational groups in rural areas equipping themselves with the knowledge needed to run successful businesses which are consistent with sustainable development; to check that action is in hand to overcome such barriers; and to propose further action as necessary. Initial results are scheduled for delivery by mid-2003, with completion by the end of the year.

(C) The Learning and Skills Council is supporting the industry in driving this forward. The industry will need to assess how colleges can best support the industry's skills needs through a network of agricultural centres, set in the broader context of the need for the CoVE network as a whole to address a wide range of new and traditional industries. To date, there are eight CoVEs focusing on agriculture and we anticipate that more will follow.

**Recommendation 55:
BOWLAND/BODMIN INITIATIVES**

Page 63

The results of the Bowland Forest and Bodmin Moor pilot projects and the Countryside Agency's Land Management Initiatives should be thoroughly and rapidly evaluated by Defra, together with the outputs of the Farm Business Advice Service, using the lessons learned to inform a full and open review of farm advice services and priorities for action.

A final report on the evaluation of the Bowland Forest and Bodmin Moor Upland Experiment Schemes is due shortly. As with all such evaluations, it is intended that the final reports will be published on Defra's website. The results of the evaluation will be fed into a wider programme of work outlined in the response to Recommendation 54B.

**Recommendation 56:
NEW FARMING ADVICE LINE**

Page 63

A Farming Advice Line should be established to signpost farmers to the best advice currently available. It should provide simple administrative information and advice on regulations and other Government requirements. It should be tied in with the new web-based structure for co-ordinating guidance on Government regulations (Recommendation 31). All publicly funded advisors should be accredited. Training is also needed to develop advisors' all-round skills and knowledge.

Government will consider the proposal for an advice line within the programme of work outlined in the response to Recommendation 54B. The review will take account of existing experience with advice lines, including the new telephone helpline set up to assist farmers in the new Nitrate Vulnerable Zones. On advisors' accreditation, Defra has commissioned Lantra to make recommendations on the feasibility of an accreditation system for publicly-funded business advisers. These recommendations will also be considered as part of the wider review.

**Recommendation 57:
TRAINING CREDITS/AGRI-ENVIRONMENT SCHEMES**

Page 64

Those joining the new entry-level agri-environment scheme should receive three free days of advice from a local accredited advisor. Each farmer should receive a £250 training credit annually for the next three years.

The Government recognises the value of giving a boost to the development of knowledge and skills, and continues to provide support through current programmes. The question of how best to fund learning, information and advice for farmers, including those joining the entry-level scheme will be considered in taking forward the programme of work outlined in the response to Recommendation 54B. Linked to this work, Defra will consider alternative forms of support for agreement holders and applicants, for example, collective methods of advice provision, such as training and demonstration days, written guidance and on-line help. However, the Government is not persuaded that either the three free days of advice or the training credit proposed by the Policy Commission would represent the most effective use of public funds.

Recommendation 58:
REVIEW OF INDUSTRY BODIES

Page 65

Creation of a Confederation of British Agriculture should be explored. Government should take an active role working with industry in reviewing the full range of industry bodies, to make sure that they are modern and in tune with the industry's new ethos.

While any change to the structure of the industry bodies is a matter for their members, the Government accepts the need for these organisations to be forward-looking. The Government would look to work constructively with industry in any future review of industry bodies.

Recommendation 59:
STATEMENT OF SUPPORT FOR FARMING

Page 70

Government should make a clear statement of its support for farming as sustainer of the rural environment as well as food producer, and properly reward the industry for its role in managing the countryside. It should make clear the key role of farming in delivering our vision.

The Government has set out its vision for the sustainable development of the industry in its Strategy for Sustainable Farming and Food.

Recommendation 60:
ENVIRONMENTAL DIRECTIVES: IMPLEMENTATION STRATEGY

Page 72

Government should develop and publish a strategy for implementing forthcoming environmental directives, looking forward over the next 10 years. An initial assessment should be made available within a year, and should be updated annually thereafter.

The Government continues to push for smart, effective EU regulation and is working hard on addressing EU directives strategically. It is working with the Environment Agency to develop a comprehensive strategy to modernise Defra's approach to environmental regulation, particularly the implementation of new environment directives. The purpose of the strategy is to encourage policy makers to adopt a proportionate approach to regulation and to consider the use of a range of measures - from the provision of advice to bespoke regulation - which are supported by a 'light touch', but effective, enforcement regime. The strategy will be regularly updated and monitored to ensure it will meet identified success criteria.

Recommendation 61:**Page 72****ENVIRONMENTAL DIRECTIVES: COST BENEFIT ANALYSIS**

The strategy for implementing environmental directives should include a regulatory impact assessment based on cost-benefit analysis covering the impact on farms.

All Government Departments are committed to assessing the costs and benefits of all new regulatory proposals, including environmental directives. We currently undertake regulatory impact assessments for all new regulatory proposals, which take into account the impacts of the proposals on stakeholders, including industry sectors such as agriculture.

Recommendation 62:**Page 73****ENVIRONMENTAL PAYMENTS: WTO IMPLICATIONS**

Payments to create a market for environmental goods must not be struck down by World Trade Organisation (WTO) rules.

The concern underlying the Policy Commission's recommendation is to ensure that WTO rules do not constrain or outlaw the payment of environmental aids to farmers. In principle, the WTO already recognises the validity of such aids. Negotiations on a further multilateral programme of agricultural subsidy reforms are now proceeding in Geneva. The UK has strongly supported the European Commission's negotiating proposal, which argues that recognition of the legitimacy of environmental aids must be preserved and updated as appropriate.

Recommendation 63:**Page 74****SHIFT CAP SUPPORT TOWARDS PILLAR II**

Government should aim to secure a progressive transfer of resources in Europe towards wider social and environmental objectives under Pillar II of the CAP.

Public funds should be refocused on public goods, rather than subsidising overproduction. The Community's budget for environmental programmes in the countryside should be substantially increased.

See Recommendation 1. European Commission proposals for CAP reform published in July involve a progressive transfer of resources from production subsidies towards rural development (Pillar II).

**Recommendation 64:
UK SHARE OF EU RDR BUDGET**

Page 74

Government must negotiate a fairer share of the Rural Development Regulation (RDR) budget for the UK and one which better reflects the size and value of our countryside.

The Government is seeking to increase the UK's allocation of rural development funding in comparison with other member states. The 3.5 per cent allocation in the current budgeting period is based on our low level of agri-environment spending in the 1990s. The use of modulation by the UK to fund higher levels of agri-environment spending demonstrates our commitment to a new approach, and should be recognised in allocation of new funds. European Commission proposals for CAP reform include a more objective set of criteria for allocating funds, although we remain concerned that these do not go far enough - for example they do not correct past underfunding. We will argue firmly for an increased allocation in the next budget period and, if possible, even earlier.

**Recommendation 65:
BEEF NATIONAL ENVELOPE**

Page 75

Government should press for similar flexibility with the current beef envelope as recently secured for the sheep envelope.

The Government has requested that the European Commission introduce the necessary change to the rules on beef national envelopes. However, this recommendation appears to have been overtaken by the Commission's Mid-Term Review proposals for further, radical reform of the beef regime, including the decoupling of all beef subsidies.

**Recommendation 66:
BEEF & SHEEP ENVELOPES: ENVIRONMENTAL USE**

Page 75

Government should use money in the sheep and beef envelopes in ways that actively encourage environmentally desirable behaviour.

The Government is currently developing schemes in England funded by the sheep national envelope to encourage lower stocking densities in upland areas that have been subjected to historic overgrazing. As an initial step, we announced on 23 August 2002 the introduction of a Quota Purchase Scheme to buy quota from farmers in those areas who agree to reduce stocking levels.

Recommendation 67:
SHEEP ENVELOPE: ONE EURO DISCRETION

Page 75

There is scope to increase the size of the envelope by reducing sheep annual premium payments by 1 Euro per animal. If the envelope is used for incentives for environmental management, we would encourage the Government to take advantage of this option as soon as possible, to maximise the envelope's beneficial effect.

The Government has announced that it intends to make use of this option for 2003. Given the limited time available to develop schemes funded from the sheep national envelope, 2003 is the earliest that it is feasible to reduce sheep annual premium payments to increase the size of the national envelope.

Recommendation 68:
INCREASE MODULATION RATE

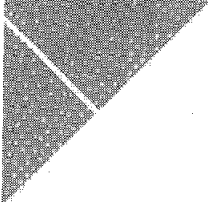
Page 77

Government should increase rates of modulation to 10 per cent from 2004. If substantial CAP reform is not delivered in 2006-07 the Government should give serious consideration to a further increase in modulation at that point to the maximum 20 per cent. The devolved administrations and UK Government are urged to go forward together on this.

Extensification premia should be left unmodulated in recognition of their positive environmental effect. Government should fully match-fund the modulated resources at a rate of 100 per cent from the Exchequer.

The Government has announced that it will make available £75 million of domestic funding to introduce an entry-level agri-environment scheme, subject to successful pilots (see Recommendations 70-71 and 74). The Government will also take steps to ensure that the necessary EU co-financing for this scheme is made available. The precise means by which this additional EU funding will be secured have yet to be finalised. Funds could be provided by an increase in voluntary modulation, as proposed by the Policy Commission. However, alternative sources include compulsory EU-wide modulation, as outlined in the European Commission's proposals for the Mid-Term Review of the CAP, or an increase in the proportion of EU rural development funding allocated to the UK (see Recommendation 64). The decision will depend, to a large extent, on the outcome next year of the Mid-Term Review. Any decision to increase the rate of national modulation will be made after careful consideration with the devolved administrations.

The Government will continue to modulate extensification premia. While these payments undoubtedly help the environment by discouraging overstocking, the Government considers that applying modulation to them has the potential to generate a broader range of environmental benefit.



Recommendation 69:
SIMPLIFY AGRI-ENVIRONMENT SCHEME
ADMINISTRATION/WHOLE FARM AUDIT

Page 79, 82

Defra should look at whether enough is being done to simplify application procedures and to reduce stewardship scheme administration costs.

A new whole-farm audit and plan should be grafted on to the existing Integrated Administration and Control System (IACS) system to minimise the need for new procedures. IACS will need to be paired with Geographical Information System (GIS) capacity to fit it for this role.

The audit programme should be rolled out as soon as possible to all farmers. In particular there is a case for rolling out as soon as feasible to the intensive pig and poultry sectors, where there have been significant resource pollution problems in the past.

A blueprint has been prepared outlining new, unified procedures for all England Rural Development Programme schemes. A significant investment is now planned to develop a modern, flexible system to administer all these schemes. Customer-focused application procedures and simplified administrative systems are major features of the blueprint. A number of 'quick wins' have also been identified and are being implemented where current procedures could be simplified without major investment.

The Government intends to develop a comprehensive whole farm plan and audit system. The European Commission has recently published its proposals for the Mid-Term Review of the CAP. These include the suggestion that in future all farmers should have to undertake a farm audit as a condition of receiving support payments. The Commission proposals contain little detail at present and we will need to clarify their ideas and ensure that we deliver improved outcomes and not additional bureaucracy.

The whole farm approach is a long-term objective and will need to take account of the proposals emerging from the European Commission. Meanwhile, a majority of consultees responded to Defra's consultation exercise reviewing agri-environmental schemes in England by suggesting that some kind of whole farm plan and audit should be built into the proposed entry-level agri-environment scheme, though there was concern about the cost and complexity of the exercise. We will therefore, as a priority, develop a simple, low cost farm assessment and audit proposal that is suitable for the specific requirements of the agri-environment scheme pilot (see the response to Recommendation 74). It is hoped that this will eventually provide one of the building blocks of the wider farm approach and audit recommended by the Policy Commission.

INCREASED SPEND ON AGRI-ENVIRONMENT SCHEMES

Government should increase the level of spending substantially on agri-environment schemes, through modulation in the short term, and Community-wide 'degression' of direct payments after 2006. It should merge the existing agri-environment schemes to become the upper tiers of a new single stewardship scheme. The same scheme should in due course incorporate other existing land management grants, for example for woodland and flood protection.

The Government has committed an additional £75 million of match-funding to agri-environment schemes in England in 2005/6 (equivalent to an increase of £150m in scheme expenditure). The need for a possible increase in the rate of voluntary modulation, as the Policy Commission recommended, will depend on the outcome of negotiations on the European Commission's proposals for the Mid-Term Review of the CAP. The additional match-funding is subject to the success of a pilot for the entry-level agri-environment scheme, which Defra is planning in a series of four pilot areas that cover the main farming systems in England. These pilots should be launched during the early months of 2003 and will run for two years (see Recommendation 74 below).

The majority of respondents to Defra's consultation exercise reviewing agri-environmental schemes in England favoured merging the existing Environmentally Sensitive Areas (ESAs) and Countryside Stewardship (CS) schemes. There was, however, a strong view that the merged scheme would need to include the best features of both schemes in order to deliver significant improvements.

Over the next few months, the Government will explore further the idea of a single scheme along the lines recommended by the Policy Commission. This will be done through further consultation and in partnership with a Steering Group made up of representatives of key farming organisations, environmental Non-Governmental Organisations (NGOs) and Government agencies.

Most consultees felt that incorporating other land management grants within a single scheme was a lower priority, and could even be counter-productive. However, there was widespread support for greater co-ordination in the delivery of all the separate grants.



Recommendation 71: **Page 84, 85**
NEW BROAD & SHALLOW AGRI-ENVIRONMENT SCHEME

The bulk of the new resources made available by further modulation should be spent on a new, broad and shallow entry-level stewardship tier, open to as many farms in England as possible, and accessed through a whole farm plan. This tier must be kept as simple and easy to administer for farmer and Government as possible, with payment on a flat rate basis per hectare. There should be as light a touch in compliance monitoring as EU rules will permit.

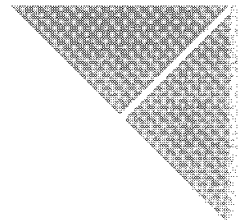
The existing Hill Farm Allowance funding, along with receipts from modulation, should be combined in upland areas to become a single 'broad and shallow scheme' for hill areas. As in the lowlands, the existing more bespoke schemes above the new tier would be rationalised into steps of a single ladder, ascending through more demanding tiers that are increasingly aimed at particular areas, habitats and species.

The Government announced on 15 July that it will be developing a new entry-level agri-environment scheme that pays farmers to deliver positive environmental outcomes. The scheme will be designed to make a difference over the whole of the English countryside by helping to:

- reverse the decline in farmland birds and other widely distributed wildlife and plants;
- retain features which provide local landscape distinctiveness;
- protect natural resources of soil, water and air from damage; and
- safeguard archaeological sites and monuments.

The idea of a 'broad and shallow' entry-level agri-environment scheme received overwhelming support from consultees following Defra's consultation exercise reviewing agri-environment schemes in England. The Government will use the additional £75 million of match funding mentioned in the response to Recommendation 70 to make an entry-level agri-environment scheme available to farmers across England in 2005, subject to successful pilots (see Recommendation 74). This will aim to incorporate the main features recommended by the Policy Commission. Work is in progress to reconcile the recommendation that the scheme be simple and easy to administer with the recommendation that a whole farm plan should be a condition of entry.

The Government is committed to a review of the Hill Farm Allowance (HFA). As well as examining the effectiveness of the current HFA, this review will be broadened to look at how best to integrate the HFA with the entry-level agri-environment scheme and with the use of the sheep national envelope, in full consultation with stakeholders. One of the four areas used to pilot the entry-level scheme next year (see Recommendation 70) will be an upland area.



Recommendation 72:

Page 87

BROAD & SHALLOW: MINIMUM PAYMENT RATES

Agri-environment programmes should be given a measure of stability by fixing a floor at the start of the agreement period below which rates will not be allowed to drop for five years.

Government should look for a different language which better reflects the fact that the provision of environmental public goods is not a substitute activity for something else.

The Government recognises that the provision of public environmental goods is a worthwhile activity in its own right. The issue of payment level floors will be included in a framework document, which is being produced as part of the Agri-Environment Schemes Review (*Agri-Environment Schemes Framework Document - a consultation on the future of agri-environment schemes*). This document is going to public consultation in parallel with the launch of the Strategy for Sustainable Farming and Food. Decisions will be made in the light of consultation and subject to further discussions with the European Commission.

Recommendation 73:

Page 87

BROAD & SHALLOW: DEFRA RUNNING COSTS

Defra should secure the necessary running cost resources to ensure that the scheme is administered smoothly and effectively. It should make the necessary investments in mapping technology and IT to make sure that administration is as efficient and as little burdensome as possible.

Development of the new entry-level tier and the revised higher-tier agri-environment schemes will include a strong focus on smooth and efficient administration whilst maintaining the necessary levels of technical input. There is a major IT Programme designed to deliver new delivery systems for all the schemes in the England Rural Development Programme. It is intended that the new IT system will have a GIS interface and will link with relevant sources of map-based information such as the Rural Payment Agency's Rural Land Register and Defra's Multi Agency Geographic Information for the Countryside GIS programme.

Recommendation 74:
BROAD & SHALLOW: NEED FOR PILOT

Page 87

The operation of the new broad and shallow stewardship tier should be piloted across a range of sectors as soon as possible. Farming industry representatives and other land managers should be involved from the start in the design and implementation of the new scheme. The Government will need to consult widely on the resulting revision of the existing England Rural Development Programme (ERDP).

The Government is planning to pilot the entry-level agri-environment scheme in a series of four pilot areas that cover the main farming systems in England. These pilots should be launched during the early months of 2003 and will run for two years. The Government has convened a working group of representatives of key organisations with relevant practical experience to help develop the pilots. Key elements of scheme design are being tested with farmers before being finalised.

There will be full consultation on any subsequent revision of the ERDP.

Recommendation 75:
BROAD & SHALLOW: ORGANIC TIER

Page 88

Ongoing public support for organic farming - targeted on its environmental benefits - is justified. We believe that the best approach would be for it to become a separate strand of the new 'broad and shallow' environmental scheme.

The Government is committed to facilitating the development of the organic sector. The Action Plan for Organic Food and Farming in England, published on 29 July 2002 (see Recommendation 76 below), announced that ongoing payments would be incorporated into the Organic Farming Scheme. This is an interim measure while a new structure of agri-environment schemes is developed in consultation with stakeholders, incorporating measures reflecting the particular contribution that organic farmers can make.

Recommendation 76:
STRATEGY FOR ORGANIC PRODUCTION

Page 89

A strategy for organic food production should be developed, covering issues such as research, development, standards and marketing and addressing all parts of the food chain in the same way as recommended for conventional supply chains. The new Food Chain Centre (see Recommendation 8) should lead this task in partnership with the Soil Association, the other organic associations and the Government.

The Government firmly believes that organic production has an important contribution to make to the future prosperity of our countryside and the choices available to consumers. Defra announced a 21-point Action Plan on 29 July. Drawn up by a stakeholder group representing a wide range of interests, the Action Plan is the first stage of a continuing strategy for developing the organic sector in England. The Plan demonstrates how collaborative working can pay dividends: it addresses all parts of the supply chain and includes an undertaking by the major retailers to work with producers to increase British producers' share of the organic market. Its implementation will be overseen by an advisory committee with contributions from many sources including the Food Chain Centre, which will be looking at benchmarking and value chain analysis in the organic sector.

Recommendation 77:
ENVIRONMENTALLY FRIENDLY CAPITAL ALLOWANCES

Page 89

To assist and encourage the take-up by farmers of environmentally beneficial technologies, capital allowances should be offered on specified new environmental pollution control and monitoring equipment in agricultural use.

The Government will seek to identify suitable environmentally beneficial technologies that are appropriate for enhanced capital allowances, compatible with the tax system and EU state aids rules. It can then consider the options as part of the normal Budget process.

Recommendation 78:
AGRICULTURE AND ENVIRONMENT BIOTECHNOLOGY
COMMISSION (AEBC): GM ISSUES

Page 90

The AEBC is the right body for the task of helping the Government steer a course on the Genetic Modification (GM) issue, and the recommendations of the AEBC in its recent report 'Crops on Trial' should be fully supported.

The Government welcomed AEBC's report *Crops on Trial*, agreeing in particular to the recommendation for a GM public dialogue. This is under way and has three strands: a public debate organised independently of the Government, a review of the science surrounding GM issues, and a study of the costs and benefits associated with GM. The Government wants the dialogue process to generate a broader and deeper understanding of what genetic modification is, how it can be used, and what the risks and the benefits are. We also want to have a clearer picture of the questions that most interest or concern the public within the UK on GM issues. The Government also welcomed the AEBC's report on *Animals and Biotechnology*, which was published on 3 September 2002.

Recommendation 79:
GM RESEARCH AND ORGANICS CONFLICT

Page 90

(A) Government should look at the balance of public and private research on GM technologies, or at least make sure that all private research on GM is, and is seen to be, subject to the most rigorous peer review.

(B) Government should consider how to manage the issue of co-existence of GM and organic crops and come forward with proposals to deal with the alternative scenarios alongside the publication of the findings of the Farm Scale Evaluations.

(A) Although the Government has no authority to insist that all private research on GM is subject to peer review, it is clearly in the interests of the researchers to do this. An initial evaluation of the expenditure on public and private research indicates that the balance is about equal and we will give this further consideration.

(B) Following earlier discussions with stakeholders, the Government has continued to explore the co-existence issue, including in the EU context (any statutory action in this area would require EU legislation). The Agriculture and Environment Biotechnology Commission has also established a sub-group which is looking at the terms on which GM, conventional and organic crops might co-exist. We expect there to be further consideration and discussion of this issue in the context of the GM public debate.

Recommendation 80:
STRATEGY TO REDUCE PESTICIDE USE

Page 91

Government should maintain its strategy to reduce the risk from pesticide use, and efforts to research and disseminate advice on systems and techniques such as Integrated Farm Management and organic farming, that reduce or avoid the need for pesticides, should continue to be a high priority for public research and technology transfer funding.

This recommendation endorses our current strategy to reduce the risk from pesticide use. The Government accepts that a high priority should continue to be given to funding research and technology transfer for systems such as Integrated Farm Management and organic farming that reduce or avoid the need for pesticides.

Recommendation 81:
RED TRACTOR & PESTICIDE USE

Page 91

The voluntary industry package of measures on pesticide use should be embedded within the baseline 'Red Tractor' assurance scheme. Ongoing attention should be given to the development of policy measures in other EU member states, to ensure that the voluntary agreement is appropriately in line with standards elsewhere in Europe.

The case for a pesticides tax should be kept under continuous review, as at present. If the voluntary package fails to deliver the environmental benefits required, the Government should re-consider the case for a tax.

Delivery of the voluntary package is for the farming and pesticide industries. Industry groups believe that assurance schemes can help encourage farmers to take up the package and discussions with Assured Food Standards are under way. The voluntary package covers the UK whereas uptake of the Red Tractor scheme currently varies between industry sectors and between different parts of the UK. We hope that the main assurance schemes will take account of the voluntary package.

We wish to see the voluntary package succeed but we will continue to monitor delivery, and failure to deliver real environmental benefits would lead us to look for other approaches. A pesticides tax would be one option and the Government continues to regard it as a potentially useful tool, in conjunction with other measures. The case for a tax is therefore being kept under active review. We keep close watch on standards in Europe to ensure that UK best practice can continue to develop.

**Recommendation 82:
PESTICIDE USE: MINOR CROPS**

Page 91

Policies should be put in place as soon as possible to ensure that growers of minor crops can continue to produce. If necessary, pesticides should be permitted for minor crop use until viable alternatives become available. Progress could be helped considerably by genuine harmonisation of pesticide approvals in the EU for zones of similar climate. At the same time, for the industry as a whole, older broad spectrum chemistry should be replaced by newer, more selective, less persistent chemistry as soon as practicably possible.

The Government recognises the importance of ensuring that an adequate range of pesticides is available for minor crops. We have secured a four-year derogation from the European Commission for essential uses of 14 pesticides for minor crops. This is as many as any other member state. We are also exploring other initiatives including moving to zonal approvals through the amendment of the relevant EU legislation. The EU pesticide review programme will ensure the gradual replacement of older pesticides with newer, more selective alternatives.

**Recommendation 83:
ADVISORY COMMITTEE ON PESTICIDES**

Page 92

The Advisory Committee on Pesticides (ACP) should widen its remit and representation to allow a broader, more inclusive and open approach to its important work

This recommendation is in line with the recent development of the ACP. The remit and representation of the ACP is continuously being informally reviewed by virtue of the need for replacement/reappointment as members leave for personal reasons, or their terms of office come to an end. This enables the Committee to keep abreast of new developments in risk assessment and pest control.

Ministers have now looked in some detail at how the recommendation could be taken forward more radically, thereby broadening the Committee's expertise in environmental matters. To this end, two new members are to be appointed with expertise in areas such as conservation and biodiversity. We are also considering how links with the Pesticides Forum, whose remit is to support Government policy on responsible pesticide use and impact reduction, could be strengthened.

**Recommendation 84:
SUPERMARKETS & 'FOOD MILES'**

Page 93

Supermarkets should re-examine their supply routes in the light of concern over the environmental impact of food distribution and its effect on traffic congestion. Reducing the transport of animals to centralised slaughter plants has to be a special priority. Major retailers should be urged to look at this issue seriously and as a matter of urgency.

The food industry should re-examine supply routes to reduce journeys wherever sensible. The Advisory Committee on Consumer Products and the Environment (ACCPE) has begun to look at 'food miles' as part of its consideration of sustainable food supply and the environmental impacts of food products. Research is being supported by Defra and the Department for Transport to help unravel this complex issue and to identify what, if any, improvements can be made by the food industry. In addition, Defra is funding a research study of the validity of food miles as a measure of sustainable development. The Government also recognises the importance of the UK market to developing countries and will work to ensure that our efforts to reduce food miles do not occur at the disproportionate cost of economic and social development in these countries.

The Government supports the recommendation regarding the transport of animals for slaughter. It is preferable from an animal welfare and environmental point of view that animals should be slaughtered as close as possible to their place of origin. The European Commission is drawing up proposals for changes to the Transport of Animals Directive and is expected to address this issue.

**Recommendation 85:
LANDFILL TAX**

Page 93

Government should keep the rate of landfill tax under review, and should consider higher rates if that is necessary to accelerate progress.

The Pre-Budget Report 2002 announced that, subject to consultation on details, the Landfill Tax escalator will increase to £3 per tonne from 2005/6, reaching £35 per tonne in the medium to long term.

**Recommendation 86:
COUNTRY OF ORIGIN LABELLING**

Page 97

The Food Standards Agency's (FSA) campaign on EU labelling rules should be welcomed. Compulsory country of origin labelling should be introduced for as wide a range of foods as possible. Consumers in food service outlets should have access to the information they need to make informed decisions. What is put in place should not impose heavy burdens on caterers - or destroy the experience of a good meal out.

The Government is committed to ensuring that food is clearly and effectively labelled to enable consumers to make informed decisions. Labelling rules prohibit misleading consumers and are backed up by detailed advice to industry and enforcement authorities. The FSA is pressing internationally both for statutory conditions for use of terms like "produce of" and for compulsory labelling on a wider range of products, particularly meat products. The European Commission recently announced plans to review food labelling, with country of origin identified as one of the important issues. All member states have welcomed this initiative. Whilst changing rules may take some time, in the meantime, the FSA has taken the initiative by consulting on, and encouraging early voluntary adoption of, improved origin labelling practice. In accordance with our obligations under international trade agreements, we will ensure that food labelling rules do not unfairly discriminate against non-EU countries, especially developing countries, exporting to the UK.

**Recommendation 87:
COUNTRYSIDE RIGHTS OF WAY**

Page 98

Farmers should embrace the idea of access to their farms. They should see this as part of their new contract with taxpayers, who will be funding environmental management payments. Farmers need to give their full and active co-operation in delivering the requirements of the Countryside and Rights of Way Act 2000.

The good will of farmers and other land managers is important to the provision of enjoyable, safe access to the countryside. The Government hopes that land managers generally will recognise that implementation of the Countryside and Rights of Way Act (CROW) 2000 and other access initiatives have the potential to bring enormous public benefits, including better public understanding of the countryside and agriculture and increased income for rural areas. They can also contribute to health improvement through increased opportunities for physically active pursuits such as walking and cycling. Representatives of farmers and land managers will be invited to become members of new local access forums together with user groups and other key stakeholders. Local authorities and National Park authorities are required by regulation to establish forums for their areas by August 2003 to advise them, central Government and the Countryside Agency on opportunities for improving public access to land for recreational purposes. This expressly includes implementation of the access and rights of way provisions in CROW.

**Recommendation 88:
SCHOOLS VISITS TO FARMS**

Page 99

Local education authorities should try to ensure that all school children get the chance to visit working farms at least once. The Department for Education and Skills should explore whether a national voucher scheme or similar system is needed to enable this to happen.

Government should continue its creative partnership with the voluntary sector to facilitate more and better quality educational visits to farms and to promote learning in 'outdoor classrooms'.

The Government recognises that it is important that young people experience the 'outdoor classroom'. We are encouraging schools to use it as a resource across the curriculum. Children benefit from hands-on experiences of plants and animals, within school grounds, through visits to farms, woodlands, or field study centres. Understanding the ways in which food is produced can also help children to become more informed and discerning consumers, able to put healthy eating messages into practice. The Growing Schools £500,000 Innovation Fund brings together schools, local communities, colleges and voluntary groups to develop and disseminate good practice, including farm visits. We are working with Farming and Countryside Education (FACE) and the Countryside Agency to research barriers to farm visits and to examine ways of encouraging more schools to visit farms, including through voucher or similar schemes. School visits to farms can also add value to other school-based initiatives, such as the National School Fruit Scheme and the Food in Schools programme, which aims to integrate all food-related initiatives throughout the school day.

**Recommendation 89:
FACE INITIATIVE**

Page 99

More industry bodies should join the Farming and Countryside Education (FACE) initiative and help make a real impact on schools. Co-ordinating resources is a more effective way of getting messages across.

The Government welcomes the FACE initiative, which is an excellent example of how organisations can work together to co-ordinate the educational resources they provide. The Countryside Foundation for Education, the Federation of City Farms and Community Gardens, and the Forest Education Initiative are other examples of organisations that are making a valuable contribution in this area.

Recommendation 90:
ANIMAL WELFARE: ASSURANCE SCHEMES

Page 100

A small minority of producers are operating well below the provisions of the welfare codes of good practice. It is essential that these should not be allowed to bring the industry as a whole into disrepute. Retailers and the food service sector should support the move to an assured supply chain.

The Government is committed to securing high standards of animal welfare both at home and internationally. There is comprehensive legislation in place, supported by species-specific welfare codes. All allegations of poor welfare are taken seriously and followed up. Failure to follow code recommendations can be used as evidence in court to support a welfare prosecution. We have recently published new welfare codes for laying hens, meat chickens and breeding chickens. Further new codes for cattle and pigs will be available early in 2003. The State Veterinary Service conducts surveillance of welfare standards on farms, provides advice and where necessary takes enforcement action, often in conjunction with Local Authorities.

Communication is central to the delivery of higher welfare standards. We will continue dialogue with stakeholders to promote awareness of high welfare standards. We will also continue to run advisory campaigns for farmers on welfare issues and work with industry to ensure that producers who operate low animal welfare standards are forced to change their practices. We are also developing an Animal Health and Welfare Strategy. (See also Recommendation 17 on Assurance Schemes.)

Recommendation 91:
ANIMAL WELFARE: FARMER LICENSING

Page 100

If retailers and the food service sector support the move to an assured supply chain, then rogue producers should very soon find themselves without a market. If not, there may be a case for implementing a licence system for livestock farmers not involved in assurance, to ensure on-the-ground enforcement of the codes.

The Government agrees that assurance schemes can help to raise standards. A whole farm approach that encourages farmers to plan good animal health practice into their husbandry activities should also result in improved animal welfare. At this stage, therefore, we do not consider that licensing farmers would bring additional benefits.

**Recommendation 92:
EU-WIDE ANIMAL WELFARE STANDARDS**

Page 100

Efforts should be made to establish EU-wide agreements on raising animal welfare standards.

The Government is determined to improve farm animal welfare standards both in the UK and throughout the EU. We negotiate all farm animal welfare improvements on an EU basis wherever possible, to ensure equal conditions of welfare and competition. We look forward to proposals from the European Commission to amend the directive concerning the welfare of animals during transport and on minimum welfare standards for meat chickens. In addition, the UK Government is active in supporting the Council of Europe and other international initiatives to promote animal welfare.

**Recommendation 93:
PUBLIC REPRESENTATION**

Page 101

All public and industry bodies concerned with research, development, regulation and standard-setting should involve public representation. The example of the Food Standards Agency, which is setting new benchmarks for openness and transparency in carrying out its role, is to be commended.

Defra is working hard to increase the diversity of the membership of its non-departmental public bodies (NDPBs). We require lay or consumer representation to be considered in every NDPB review. Government believes in openness and transparency: the minutes of meetings of most public bodies are published on the internet. Others are available on request from the relevant body. In addition, Defra and its executive agencies have submitted Publication Schemes to the Information Commissioner as part of the Department's programme for implementing the Freedom of Information Act 2000. The schemes are designed to facilitate public access to information collected, held and used by the various organisations.

**Recommendation 94:
USE OF ANTIBIOTICS**

Page 101

Defra and the Food Standards Agency should ensure that progress made through the reduction of licensed antibiotic growth promoters is not eroded by the use of other antibiotics also cross resistant with imported medical drugs.

Like the Policy Commission, the Government wishes to see a reduction in the use of antibiotics on farm. It is proposed that the remaining four antibiotic growth promoters will be banned in the EU from 1 January 2006. Countries, such as Denmark, that have already banned antibiotic growth promoters have seen an increase in the use of therapeutic antibiotics to treat diseases which were prevented by the growth promoters. We are considering what steps can be taken to minimise the likely therapeutic increase in antibiotic usage in 2006 and are working with the industry to promote the prudent use of all medicines on farm. We will continue to collect and publish data on the sales of anti-microbial products for use in animals.

**Recommendation 95:
IMPORTS: PUBLIC HEALTH STATUS**

Page 102

Imports to the UK (livestock, meat products etc.) should meet UK and EU standards (i.e. use of antibiotics, growth promoters and anti-microbials) in order to protect public health.

Regular checks are carried out on imported and home-produced food under the Government's veterinary medicine surveillance schemes. The European Commission inspects Third Countries to ensure they are operating to EU standards. Where they are not, imports of foodstuffs to the EU can be banned as was the case for Chinese produce in March 2002.

**Recommendation 96:
ZOOSES & HUSBANDRY SYSTEMS**

Page 102

All steps should be taken to encourage husbandry systems which reduce the likelihood of zoonoses' development: further work should be undertaken by an expert group to determine any further actions that might be prudent.

The Animal Health and Welfare Strategy (see Recommendation 32) will encompass the measures which need to be taken to promote animal health and prevent disease in all livestock systems.

There is already a network of expert groups and advisory committees working closely together on dangerous pathogens, microbiological safety of food, surveillance and zoonoses. In addition, the chief medical officer has announced that the new Health Protection Agency will have an expert horizon-scanning group working specifically on zoonoses.

The need for an additional expert group will be kept under review in the light of the Animal Health and Welfare Strategy.

**Recommendation 97:
LOW-DRUG FARMING SYSTEMS**

Page 102

Given the lack of commercial drivers to encourage the development and uptake of low- or no-drug farming systems, this area must be considered in the formulation of the animal health strategy and must be a priority for publicly-funded strategic research.

The Animal Health and Welfare Strategy (see Recommendation 32) will encompass all aspects of disease prevention and control, including disease prevention in low- or no-drug farming systems.

Defra's ongoing research programme for disease control already places an emphasis on the reduction in the use of antibiotics in livestock.

**Recommendation 98:
GOVERNMENT STRATEGY FOR HEALTHY EATING**

Page 103

The Department of Health, the Food Standards Agency (FSA) and Defra should come together to produce a strategy on all aspects of encouraging healthy eating, in consultation with academic and medical experts. In particular, primary care trusts as part of local strategic partnerships should ensure that a food dimension is included in health improvements and community plans, which should include monitoring of food and health inequalities.

The Government accepts the need for co-ordinated action and strong stakeholder involvement in the promotion of healthy eating at national and local level.

A new cross-Government food and health action plan will build on the work Government is already doing to improve diet and nutrition, including through partnerships with industry and consumers on the five-a-day programme. The action plan will address healthy eating at every stage of the life course. Delivery will require action by all sections of the food chain at a national, regional and local level, to contribute to reductions in obesity, coronary heart disease, cancer and health inequalities. We agree that primary care trusts and local authorities, working through local strategic partnerships, will have a key role. Schools too have an important role in encouraging pupils to understand the importance of a healthy diet and physical exercise.

A cross-Government steering group, chaired by the Deputy Chief Medical Officer, and drawn from the Department of Health, the FSA, Defra, the Department for Education and Skills, Cabinet Office and others has been established to oversee the development and publication of the food and health action plan.

The Government will also ensure that its policy on reform of the Common Agricultural Policy (see Recommendation 1 above) is informed by analysis of the health impacts of agriculture expenditure.

Industry should establish a group to look at how it can play its part in encouraging good nutrition. This group should consider how the demand for healthier foods can be increased, and how to ensure that a healthy nutritious diet is available to all, working closely with existing structures like the British Nutrition Foundation. It should also look at what can be done, for example, to reduce salt, sugar and fat levels in processed foods. It must examine food advertising and how to encourage responsible advertising. It needs to work closely with the Department of Health and the Food Standards Agency (FSA).

The food service industry needs to be included.

Catering staff should be trained in principles of healthy eating. NVQs related to catering should include study of healthy eating guidelines.

The FSA and the UK health departments have established a Nutrition Forum. Its membership includes a cross section of interests including nutrition experts, medical experts, representatives of consumers groups and the food industry. It will play a key part in strengthening and co-ordinating stakeholder input to work on diet and nutrition. The Government is also in discussion with a number of industry bodies, and their member organisations, on the nutrition content of processed foods. Early work has focused on the scope for salt reduction in food categories contributing most to the dietary intake of salt.

The FSA plans to tackle misleading 'healthy' messages in labelling and advertising, to improve parents' awareness and understandings of healthy eating messages, and to assess the effect of promotional activity or behaviour.

Catering for Health was launched nationally by the FSA, the Department of Health and the British Nutrition Foundation in March 2001. The guidance it provides will enable review of NVQ catering qualifications, the planning of courses, and professional development for caterers.

Recommendation 100:**Page 104****FOOD SOURCING AND PUBLIC PROCUREMENT RULES**

The new cross-Government group which has been set up to examine how Government procurement can support environmental outcomes should look at the area of food sourcing and public procurement rules.

The Sustainable Procurement Group was set up by Defra in November 2001, to consider how Government procurement can better support sustainable development. The Group is chaired by the Office of Government Commerce and includes senior officials with expertise in procurement policy and sustainable development, as well as procurement practitioners. Food procurement is amongst the areas being considered by the Group. The Sustainable Development Commission was invited to provide input into this and placed particular emphasis upon the need to develop sustainable food procurement within the NHS. Further work needs to be done to analyse systematically food's social, economic and environmental impacts in order to further develop Government procurement policy in this area. Ongoing work by the Sustainable Development Commission and NGOs such as Sustain will continue to provide a helpful contribution to this agenda.

Recommendation 101:**Page 105****NATIONAL SCHOOL FRUIT SCHEME**

As a key part of a national strategy on improving nutrition, the Government should move as fast as it can on rolling out the proposed National School Fruit Scheme. It should be extended up the age range, to ensure that good habits learned in early school days are reinforced later on in life.

The Government has made a commitment to introduce a National School Fruit Scheme which will entitle every child aged four to six to a free piece of fruit each school day. Following successful piloting, the Scheme is now being introduced across England on a region by region basis, with funding from the New Opportunities Fund, and will be fully national from 2004. We are keen to ensure this is successfully established before considering any extension to the age range.

**Recommendation 102:
BANGOR PROJECT**

Page 105

The Department for Education and Skills and the Department of Health should work together to roll out the lessons of Bangor as widely as possible in schools.

Industry is to be congratulated on developing and funding the Bangor project. The Government agrees that the findings have been encouraging. Many of the lessons from this and other initiatives have already been taken on board in developing the National School Fruit Scheme pilots. Any future developments need to be based on a fuller understanding of the potential impact, cost and benefit of this model applied to large numbers of schools.

**Recommendation 103:
RDAs & LOCAL FOOD BUYING CO-OPS**

Page 106

All Rural Development Agencies (RDAs) should look at expanding local food buying co-operatives. When such schemes become more widespread, the recommended Food Chain Centre subgroup should spread understanding of them throughout the food chain, and should encourage leading retailers to replicate what is already industry best practice, and supply them at low cost.

The Government welcomes the expansion of buying co-ops, particularly in areas where low income consumers have difficulty in accessing a healthy balanced diet. The RDAs are considering this recommendation with a view to deciding how it can be best acted on.

**Recommendation 104:
FARMERS' MARKETS**

Page 107

City councils should provide suitable sites and facilities for farmers' markets in areas that are under-supplied by retailers. These sites should meet all appropriate hygiene and food safety standards.

The Government has already written to all local authorities drawing their attention to the benefits that farmers' markets can bring, has sponsored the Local Government Association guide to farmers' markets, which is aimed at local authorities, and has grant-aided the National Association of Farmers' Markets. Ministers have written again to local authorities drawing their attention to this recommendation, highlighting the growing popularity of farmers' markets and reiterating the benefits that they can bring to urban centres.

Government should take action to encourage Farm Flood Management schemes. In particular, future environmental schemes and, where appropriate, woodland schemes should include water management as an option for support. In the same way, the Government should ensure that land management responses to flooding are eligible for funding from flood management budgets alongside more traditional methods of flood defence. The use of land management options will be aided by a rapid shift to whole catchment planning and away from the current system. The farming industry should look to embrace water management as a viable alternative crop.

The Government agrees that we need to seek to identify land management schemes able to deliver multiple benefits such as biodiversity and reducing flood risk; this is already happening along the coast with managed realignment schemes. The Government is also considering options for adding flood management objectives to agri-environment schemes. These could have a particular role to play in the less serious but more frequent local floods. However, the actual impact of land use management changes on flood risk is not well understood and Defra is commissioning research to acquire better evidence for policy development. We are also in dialogue with stakeholders on the possibilities and what sort of mechanisms would be needed to deliver them. Some significant flood management schemes already use agricultural land for enhanced water storage. We agree that a move towards whole catchment management should facilitate the development of multiple benefit schemes; our current requirements for Catchment Flood Management Plans to examine a full range of options for flood management should form one of the building blocks to this approach. For example we shall be seeking to ensure that the creation of storage areas that can also deliver biodiversity benefits is an option that is fully considered at the catchment scale for contributing to the reduction of flood risk.



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