SW Agriculture Strategic Framework 2020

Growing a resilient, strong and profitable SW agricultural sector post Covid 19. Version 1

May 2020

Foreword

Dear Colleague

The challenge of Covid 19 has of course affected all of us, and our thoughts are with everyone who has been affected. The NFU as a trade association representing farming and growing members has been working hard to support and represent those family farms and diversified businesses, in each and every one of our six counties of the south west, who have been impacted in some way practically, financially, or indeed emotionally within our sector and related supply chains. By ensuring they are both supported, getting a variety of business guidance and advice we can help build a better future for them too. There have been many enterprises that have struggled. From this we have learnt that the value of being a united sector is crucial and that it is only by working together in true partnership that we can grow and prosper across our rural communities, our environment and our economy. For family farming businesses (in the main SMEs), wider business across the spectrum, related organisations and households we know that cashflow is king.

Covid 19 has shone a bright light on this and exposed the fragility that such a crisis can present to business (and community) resilience and stability. What was a successful and diversified farming enterprise could well now be failing and in need of change, even perhaps alongside its core enterprise - however too, these circumstances have created opportunity, and the ability to find solutions with new investment – be that in terms of skills, with businesses and people repurposing or repositioning their assets and markets to the new phases that 'recovery' will present. We have really learnt who our friends are. For farming our friends are all of the community as well as our consumers and most especially our local, rural and our urban communities too. Depending on the varied geography across our fantastic counties – we live, and work in an amazing place, with world renowned food, landscapes and coastlines. This 'place' has been (so far) least affected by the physical presence of the coronavirus, yet one of the most deeply impacted economically. The public, our valued consumers, has had to rely on farmers and the food supply chain developing new and innovative ways of getting food from the field to the fork. We know that for significant parts of our food systems - hospitality, food service as well as tourism industries are going to be different for quite some time and as such we must work quickly to ensure we can fill that gap, stabilise, reset and renew for our communities, businesses, economy and people.

There is so much hope and positivity we can take from it all. As ever, the farming community has proved to be stoic, resilient, resourceful and doing its bit to support others. In drawing up this strategy for the agricultural sector and related supply chains we hope to create a clear path to "better". We know that if we clearly articulate what we want and how we can do it we can then work together to achieve better outcomes for us all. This strategic overview is a first step in doing this in what will be an evolving conversation, but most importantly in the actions and we hope we can work with you to achieve its aspirations and priorities. Thank you for reading.

Yours sincerely,

Mel Squires
Director, NFU South West

Contents

SW Agriculture Ambition for a stronger sector

1. **SW NFU ambition**
   1.1. **To emerge, after a recovery period, with an industry that is stronger, more resilient and more adaptable than pre-Covid-19.**

2. **The phases**
   2.1. There is a need for business to work within a strategy that moves to a "new normal", where we return to our previous freedom of interaction but with the legacy of Covid 19. As such the three phases[1] the SW NFU are currently working to, are:
      2.1.1. Transition with strong restrictions (at current time of writing)
      2.1.2. Transition with restrictions and clear adaptation and mitigation that enables move towards new normal (e.g. vaccine, full treatment, comprehensive track and trace etc)
      2.1.3. "New normal" with no controls

3. **Why a SW Agriculture Strategic Framework is needed**
   3.1. Sense checking what we are doing to make sure we are delivering what the sector and *"People, Business and Place"* require.
   3.2. Ensuring we have the best data and information to inform all our activities
   3.3. Ensuring farmers have a route to articulate any issues they have
   3.4. Making sure farmers get the best support, resources, advice and guidance
   3.5. Keeping NFU staff and members alive to local opportunities and risks
   3.6. Assisting farmers to adapt to new working and trading practices
   3.7. Enabling the sector to deliver more for local communities, economy and environment

[1] These are based on understanding of current government strategy. It is framed for business transition and will change to fit government strategy as and when this emerges.

The key priorities of a stronger agricultural sector

4. As we transition to the next phases of Covid 19 adaptation and mitigation there are a number of emerging priorities that when brought together will create a stronger agricultural sector and associated rural and supply chain. They are further detailed on *page 9.*

4.1. The key priorities are:

1. **Adapting to the risk of Covid 19 on farms and within the supply chain**

2. **Creating better access to markets and new opportunities**

3. **Enhanced business and environmental support**

4. **Developing a more adaptable and skilled workforce**

5. **Creating dynamic and resilient supply chains**

6. **Stronger regional and county alignment, coordination and governance**

7. **Embedding science, technology and innovation**

8. **Integrated regulation, policy and standards**

9. **Integrating information and data capture and management into businesses and decision making**

10. **Improved communication**

The overall impact of Covid 19 on the agricultural sector

5. The impact of Covid 19 on all our lives cannot be underestimated. People have died and some businesses have stopped trading and others have been weakened. It will shape so many facets of how we live and work for an undefined period into the future. Given the "undefined period" for Covid 19 we have not broken the actions down into short, medium and long term. However, we recognise that there are issues which will require immediate action and will push for appropriate mitigation strategies via other means than this document. Whilst pandemics have occurred in the past, we now have a chance to respond and adapt in new ways by making use of technology, science and data in a responsible way for today and the future.

   5.1. The first phases of Covid 19, and our adaptation to it, has shown a number of key areas where we have been impacted. These include, *inter alia*:

      5.2. **Maintaining cashflow** – The markets have been volatile for a number of the reasons outlined within this document. The impact of this has been on farmgate prices and levels of supply for the required new demand. This has had considerable financial impacts and especially on cashflow. The intervention of the government to underpin many businesses has been, and will be, critical to the survival of many enterprises. From advisers to suppliers', multiple businesses have relied on this support. As we move into the next phases of Covid 19 adaptation and mitigation support will be needed to transition to new and sustainable and resilient models that fit into our new business and societal landscape and must be available to all businesses. This is also an opportunity to re-position ourselves to how we would want to operate. The key point is that because agricultural production systems are so long (9, 12, 30 months) the need to keep cash in the business is paramount. Capital repayment holidays have been of greater assistance than C-19 loans.

Case Study – Dunstaple Dairy

Tenant farmer Steve Urquhart, of Dunstaple Dairy, started his business in 2014 with just 32 cows, he has since grown it to 120 cows ploughing all money back into the business. In ordinary times his business model is very sound, in that he supplies added value markets and has a spread of outlets (local ice cream, artisan cheese and liquid milk in local shops).

These outlets would take all of his production, so he was not linked in with any of the main buyers. Following the lockdown the buyers immediately either vastly reduced their intake or stopped it all together, as a result of their own sales markets drying up. He has managed to find a buyer to take some milk, at a lower price and also reduced his milking herd. But he has to keep his business operating to be there when his customers need milk again, against a background of continued on-going costs and significantly lower cash flow. After all, cows cannot be furloughed. He has applied for the bounce back loan and hopefully will be eligible for the dairy hardship grant when details are published.

5.3. **Changing and failing business models** – It is clear that what was a successful farm business model at the beginning of the year could well now be a failing business model (through no fault of that business). In the SW many farm enterprises had diversified into tourism, to support the core enterprise. This is a sound decision based on over 19.1m day[2] visits to the SW in 2018 brining in an estimated £5,862m[3] of income, or 11% of GDP, for the SW region. With the loss of tourism, those businesses are under acute stress. The models that have survived are in areas that are still relevant and accessible to the public and also where the enterprise can add value and find new values. For example, the farm shop now doing deliveries.

5.4. **Access to the materials and the supply chain** – A significant part of the supply chain has totally altered under Covid 19 for agricultural commodities due to the closure of most of the food service sector. This has impacted farms who had adjusted supply to meet anticipated demand in the supply chain and now have to totally change their stocking. The strong link of agriculture to other sectors means that a change in their supplies massively impacts farm operations. For example, parts for equipment have not been available and even building materials have been hard to get. With quarries ceasing to extract materials then the raw ingredients of building has slowly come to a halt. Knowing where materials can be found is crucial and being able to predict what will come back online will give industry a sense of direction and understanding of what is achievable. It should be noted that a corollary is that without materials a planning agreement cannot be built out in time and so flexibility in other parts of the system are required.

5.5. **How we travel –** The most obvious and basic implication of Covid 19 has been how we travel. We simply don't unless it is essential. This fundamental facet of humanity lays bare how fragile our systems are. In the SW we have always known that poor road and rail infrastructure has meant we lag behind other regions and has acted as a blocker to efficiency and productivity. The reliance we have placed on travel means that we are vulnerable to its loss. At the heart of this for the SW is the loss of visitors. Tourism is and will remain a key part of the economy. However, adapting to changes in how we travel could well become a positive from Covid 19 and an opportunity for future growth.

5.6. **How we communicate** – some communication modes have remained almost the same. Radio interviews happen and our televisions broadcast. However, face to face meetings and events of all sizes have pretty much gone. For many this has been positive as they have cut travel out of our day to day routines and actually added new tools, such as virtual conferences and webinars, that enhance productivity. But at the same time, it has increased social exclusion and undoubtedly had an impact on mental health and well-being, especially in rural areas.

5.7. **How we work** – for almost all of us, where we can work, we work remotely from home. The office blocks are now silent, and the shops are shut. Working from home is a reality for much of the workforce. It has enabled creative solutions for keeping connection and delivering outcomes and outputs. All this whilst operating under very uncertain and anxious times. But for many sectors (e.g. retail and tourism) this is simply not an option and they will need a return to some sort of normality in order to being recovery. It should be noted that for farmers working from home is the normal. Most farmers live on their holdings and have to do so for animal welfare, crop management and security reasons (amongst other reasons).

[2] https://www.tourismalliance.com/downloads/TA_408_435.pdf Pg.
[3] https://www.tourismalliance.com/downloads/TA_408_435.pdf Pg.

5.8. **Behaviour impacts on business** – the way people have acted, and their behaviour has severely affected all businesses and farming in particular. One of the biggest issues has been the public using footpaths and potentially putting themselves and those working on the farm at risk. In addition, people have changed what and how they consume. Local supply chains have become crucial, as has the ability to be dynamic with working in the supply chain to meet change in demand.

Sandford Orchards

Sandford Orchards is a successful cider company, based in Crediton that has grown from a small farm diversification enterprise to a company that now produces 4 million pints each year to primarily be sold in the Westcountry but also increasingly further afield. Although it has a retail and online part of the business 80% of sales are through pubs, festivals and events and the peak of these sales are through the spring and summer.

Covid-19 has completely stopped all of these sales outlets and at this stage it appears some time before they will be in any position to re-open. The business has furloughed staff and looked to increase sales through online and available retail outlets, but this has only taken 10% of the lost sales. As a consequence they only have capacity this autumn to purchase 25% of the tonnage of apples from local cider orchards that they would normally purchase (the juice vats are still full from last season). This is going to result in a significant drop in income for these farms, with one grower estimating it at a £70,000 loss, when the ability to mitigate is virtually impossible. They have already carried out the expensive tasks of winter pruning and of course cider apples have no other use (unlike the malting barley that is not being used for brewing that can go into animal feed).

If cider sales and by association cider apple demand cannot be quickly increased then there is a real risk for the future of some of our heritage orchards across Devon and beyond and once lost they will be extremely difficult to get back.

Key themes

6. 75% of the land area of the SW is farmed. Every form of land management and farming type is carried out. We have large commodity focused farms all the way through to farms that have rewilded, the majority Small and Medium sized family enterprises. Within these farms we produce over a third of the nations' meat and dairy and we do this within an area that includes 2 National Parks and 12 Areas of Outstanding Natural Beauty.

   6.1. As such south west farmers, and the agricultural sector as a whole, has a critical role in not only the production of our food but also many aspects of our lives and our environment. A key principle of the SW Agricultural Strategic Framework (SW ASF20) is taking a systems and holistic approach and as such these aspects or "themes" must be built into every part of the strategy and cannot be considered separately.

   6.2. Covid 19 has shown very clearly the relationship between so many of these themes. Early in the crisis one of the biggest issues for farming was the uncontrolled access of the public to rights of way and the countryside putting themselves and the famers at risk. At the same time with much of the public having to stay home wildlife has thrived in many places where previously they would have been disturbed. A change in consumer behaviour and food purchasing has meant once viable cropping rotations are now gone and that new environmentally friendly break crops will need to be found. In short it all relates.

   6.3. The themes that are inherent throughout the strategy are:

6.4. Food production

6.4.1. Farmers are at heart producers of food. The Agriculture Bill recognises this and has a requirement to report on food security at least once every five years. This means any plans in the South West need to consider food production and is an opportunity to support the sector to be more efficient, productive and resilient on farm and along the entire supply chain.

6.4.2. British farms produce 61% of the nation's food and it is produced to some of the highest standards in the world.

6.5. Environment and natural capital

6.5.1. Farming has played a key role in shaping the countryside we all enjoy today. Every type of farm continues to carry out a huge amount of work to protect, maintain and enhance the landscape, encourage wildlife, benefit soil and water, and reduce their impact on the climate.

6.5.2. The environment and natural capital are the resources from which we grow our food and create a place for nature to thrive. The Agriculture Bill and the Environment Bill place this at the heart of the farming system.

6.5.3. Agriculture is unique when it comes to dealing with the challenges of improving air quality and reducing greenhouse gas emissions because it can remove carbon dioxide from the atmosphere and store it in soil and vegetation, and generate low carbon renewable energy;

6.5.4. Industry-led initiatives like Net Zero, the Campaign for the Farmed Environment, Tried & Tested, the Greenhouse Gas Action Plan and the Voluntary Initiative have played, and will continue to play, a role in promoting good environmental practice on farm.

6.5.5. We have an opportunity to go further and deliver more for the environment especially across the SW, but this will need to be done with support, understanding (and integration) of the drivers for farming (e.g. recognising commerce, economy and wider supply chain too) and the right framework of policies, strategy, advice and delivery.

6.6. Rural Communities and rural businesses

6.6.1. Farmers are very much part of the community. They provide work, income and also the landscape and environment in which local people and visitors enjoy.

6.6.2. Farmers play a major role in the provision of public access to our landscapes and recognise the value and importance of engaging with the public and helping them learn more about the countryside and food production.

6.6.3. Farm businesses are rooted not only in their geography but with a network of rural businesses that rely on farming for their business models. We know that many rural areas rely on tourism for income and that these tourists come for the beautiful landscapes and tranquillity that is formed by generations of farming. There is ambition, and opportunity to further grow our green economy and markets given this fantastic foundation, with the right incentives.

6.6.4. Many farm businesses have diversified their enterprises to provide office and workshop spaces through to renewable energy and adding value to agricultural assets, enabling job retention and growth, and diversity in rural areas. There is room and opportunity to deliver more, with the right infrastructure e.g. digital connectivity, enhanced transport services and sufficient capacity to the national grid.

The 5 key principles for stronger

7. As we transition to the next phases of Covid 19 adaptation and mitigation, there are 5 key principles we need to collectively work to.

7.1. Protecting the health of everyone

7.2. Whether protecting those that must be shielded and are vulnerable or looking after the health of our workforce, it is health that will be the litmus for all future activity.

7.3. A systems approach

7.3.1. We will need to have clear and rational strategies that we can communicate to all based on a clear understanding of the system(s) we operate under. The strategy must be simple but also recognise the inherent complexity of our economy, communities and environment.

7.4. A flexible approach

7.4.1. The approach of everyone will need to change and adapt as we learn and progress. We will need flexibility in our policies and strategies as well as our businesses and communities as we learn and adapt.

7.5. A unified and supportive approach

7.5.1. Systems work best when we work together to meet our values. This means compacts and understanding between government, industry, the community and the wider environment.

7.5.2. If we are to be successful, we must support every aspect of our communities, economy and environment.

7.5.3. At the heart of unity is having a shared set of values. We know we must protect the health of everyone. We know that we must also protect the wellbeing of individuals and communities and our economy and environment.

7.5.4. Strong governance based on evidence, understanding and delivering each other's values will shape how we succeed.

7.6. Build back better

7.6.1. As a community of all interests and at all levels we must be positive. Whilst Covid 19 is and has been devastating it need not be debilitating. Where possible we should build back better. This means being smarter not harder. Working within our capabilities and pushing for productivity over activity.

7.6.2. Covid 19 is terrible but it need not be a catastrophe. We can use this moment to build a stronger SW agriculture. Within this is the opportunity to develop a green and productive recovery. This links to the NFUs Net Zero vision where the sector has set a goal of reaching net zero greenhouse gas (GHG) emissions across the whole of agriculture in England and Wales by 2040.

Detail: The key priorities of a stronger agricultural sector

8. There are a number of key priorities to enable agriculture and the related food chain to grow successfully as a result of Covid 19. These are detailed below:

8.1. Adapting to the risk of Covid 19 on farms and within the supply chain

8.1.1. **For the short to medium term all of society** will need to adapt how they live and work whilst Covid 19 remains a risk for the population. This means that **many activities on farm will need to adapt** to and mitigate the risks of Covid 19. Farms (allied trades and the associated supply chain) will need develop new ways of working where applicable.

8.1.2. All farms may need **Covid 19 safety plans (C19 SP)** following a standard template but adapted for individual sectorial requirement (dairy, arable, horticulture etc). Farms will need to be supported through this process to ensure that they manage the requirements and costs associated with implementation of C19 SPs or some form of pandemic action plan.

8.1.3. Throughout the phases of Covid 19 adaptation, farmers will need **clarity and understanding** of timescales and expectations. There is the potential for the loss of income through farmers, their families and staff having to self-isolate, with the possibility of processors and other parts of the supply chain having to do the same. This will add to production costs and therefore all adaptions need to be evidenced and proportionate.

8.1.4. Key points and recommendations

8.1.4.1. Help farming and food businesses understand how to keep themselves and their employees safe, to limit impact of absenteeism.

8.1.5. Potential Projects

8.1.5.1. The Well Farm Project

8.1.5.1.1. See Page 26

8.2. Creating better access to markets and new opportunities

8.2.1. Adaptation to Covid 19 along with uncertainty around Brexit trade agreements means the agricultural sector will need clarity on market risks and opportunities. Farm incomes come from a number of sources which adds to the complexity highlighting the need for effective "business support".

8.2.2. The sector will need to work closely with existing mechanisms such as Growth Hubs, Countryside Stewardship, Productivity Grants. In addition, the role of Local Enterprise Partnerships will take on new importance for the delivery of the priorities of a strong and dynamic sector.

8.2.3. Existing mechanisms, such as agri-environment schemes, have shown themselves to be a safety net for many farm enterprises. As such the Environmental Land Management Schemes (ELMS), which are currently the future main pillar of government support, will be of critical importance for many farm enterprises. **This means ELMS must be fit for purpose in the SW, and with the ability for all farming enterprises to access.** But alongside this there must be support to boost the productivity of agricultural businesses, for the benefit of those businesses and the wider economy. For agricultural the move from the Common Agricultural Policy to a new system will have considerable impact (for every £1 of CAP spend currently derives a return of circa seven fold to local economies). This may mean that for agriculture (and our food systems) to transition smoothly and efficiently there will need to be an extension to the current timetable.

8.2.4. Access to new environmental markets are important especially in relation to Climate Change and the NFUs Net Zero ambition for farming. **Net Zero represents an opportunity** to deliver business productivity and new market opportunities. The **planning system is pushing towards "net gain" for development.** This means some farms may be able to deliver additional services from their land and to create new incomes. For example, **providing flood storage** to hold water back or by **developing nutrient and carbon trading**. There is a need for **investment in infrastructure, capital items, skills and software tools.** To be successful we will need **regional coordination** and understanding of the opportunities and to **broker them to the key buyers and sellers**. In addition, farmers will need to look at how they can collaborate and aggregate the supply of services in order to achieve best value.

8.2.5. Farmers will need to understand the value of new markets to their businesses and the potential risks associated with them. **Creating resilient farm business models will mean looking at vertical and horizontal integration within the supply chain**. Developing vertical processing will mean businesses can be **more flexible and add value to their products**. To do this, businesses will need to **understand the different markets** for their products and services as well as clearly understanding the risks and opportunities. Some of these opportunities might not be realised until certain conditions are met. This means having **reliable and clear access to advice, support and information for our SME farming businesses.** There is a risk that without clear understanding systems and goals might change creating waste and costs.

Case study - Changing business model

Avon Bulbs is based in Somerset and usually focused on mail order and exhibitions and flower shows. The loss of flower shows as a market has been considerable and have meant an estimated loss of about £80k. The business has looked at its markets as a result of Covid 19 and has been able to switch its resources to selling more via Mail Order and some local deliveries. This has generated about £60k in income but has come at a greater cost. The short-term impact has been that it has possibly boosted their customer base but with no income or plants to look after they will furlough staff for some of the summer.

8.2.6. Consumer habits have changed for the time being. This has resulted in a demand for understanding provenance and standards and also looking for local solutions where other services have failed to deliver. Some farms have been able to utilise this to connect with new markets and develop new services and products. How restaurants bounce back will be down to consumer confidence but until then there are opportunities to lay the foundations for new ways of connecting and delivering. However, a **lack of infrastructure from within supply chains means this will require investment both on farm and within the local supply chain**. From the need for better supply chain infrastructure through to getting businesses skilled up there is a lot to do. But we must grasp this opportunity to build on the increased interest in local supply chains from our consumer base and translate this to activity and sales.

8.2.7. There is a need for an **honest broker between different processors** which could be a role for producer organisations. This might mean that farmers can market on mass rather than as individuals. All of this shows that there is a strong driver towards the potential for an increase in **cooperatives and joint ventures between farmers**. Whilst there is a lot of experience for joint working there is also a need for clear processes that help all understand their commitments and real **value of the public goods**.

8.2.8. New markets will be crucial for many farm enterprises especially given the unique role of agriculture as a potential deliverer of environmental benefits in the countryside. The NFU's net zero opportunity and ambition for agricultural supply chains.

Case Study – Net Zero and new markets

Adam Twine is an organic dairy and arable farmer with farms on the Wiltshire and Oxfordshire border. He has five 50 metre-tall wind turbines on the farm generating 11 GWh per year. This goes back to the grid and supplies an average of 2,500 houses. The solar farm generates electricity for around 1,500 houses. He also has PV solar panels on the roof of one barn, the electricity from which is used to run his dairy parlour, with the excess energy going into the grid. In 2009, Mr Twine set up the Farm Carbon Cutting Toolkit (FCCT) to look at how he could translate environmental improvements into a farm practice advisory service. His answer to 'why' is "having a wider and longer-term perspective is really crucial. Correlate your actions on farm with how you want the future to look." In the future Mr Twine is working on battery storage for wind and solar. He also wants to continue to develop the FCCT and to build a database of soil organic matter measurements across the country and understand how these are changing under different management regimes.

8.2.9. Key points and recommendations

8.2.9.1. Enable businesses that have seen growth in this period to access advice, finance and if necessary, planning support to maximise growth opportunities.

8.2.9.2. Ensure post Brexit support is targeted correctly for SW farm businesses.

8.2.9.3. Develop potential Net Zero and net gain markets.

8.2.9.4. Promote and provide financial support to strengthen the availability and benefits of local supply chains to consumers, public sector and tourism sector.

8.2.9.5. Investment in infrastructure, capital items, skills and software tools for *natural capital markets, agri-food and related e.g. agritech supply chains.*

8.2.9.6. Ensure ELMs is fit for purpose in the SW.

8.2.9.7. Develop natural capital markets and ensure investors can access the providers of services.

8.2.10. Potential Projects

8.2.10.1. Market and Opportunity Project

8.2.10.1.1. See Page 26

8.3. Enhanced business and environmental support

8.3.1. **Business model change is likely to be the heart of what Covid 19 adaption** means within the agricultural sector. There are a number of facets to this which include: **support for restructuring; working with banks for access to loans and business support; guidance and support for access to new markets; support for new forms of cooperative arrangements; and, enabling businesses to diversify, enabling businesses to understand the need for benefits of enhanced productivity and to grasp new opportunities**. In some instances, it will be necessary for enterprises to exit from their current business models where they can't compete or survive to changing demand and working with Covid 19 as a health risk for consumers and employees.

8.3.2. **New markets** (identified as a key for the future) will require business acumen and support. This support will also mean being able to express the different values new markets can have on a farm from the **points of view of the financial, regulatory and personal aspirations** of that land manager. Farms that are already diversified, or are looking to diversify, will need independent advice and financial support. Financial support could be in the form of long-term loans and government grants with the level based on risk and level of business planning thus giving confidence to the farmer to change.

8.3.3. Businesses will need to **manage risks** (including both animal, plant and human health) as well as liability. This will be especially the case where farms are diversifying out of agriculture.

Case study - Dairy farmer Cotswolds

Dairy farms have experienced substantial volatility. A dairy farmer in the Cotswold's reported a 2ppl price drop taking base milk price to 23.5ppl. Any milk produced out of contract profile getting 6-10ppl. Production costs at approximately 28ppl. To deal with the short term cashflow impacts they have looked to reduce feed intake and other inputs and also requested mortgage holiday from their bank. In addition, they have sold barren cows earlier than planned. Looking at their business model and financial restructuring and possible investment strategies will be key priorities in the future.

8.3.4. A potentially strong element of the future will be around **co-operative farming, contract farming and share farming**. Whilst this is not new it will require specialist support and strong and relevant examples. Additionally, farming will need to find ways of **working together** at scale (see EHFN below and Poole Harbour on page 23) to provide access for new markets to buyers of services and to help farms find more efficient and effective ways of managing their businesses with the land they have. This could provide great opportunities for farmers **delivering more natural capital** and using this as a new income for their businesses.

8.3.5. Risk management is crucial and can be done through embedding resilience into the business model and accessing the right data and financial tools to help them.

8.3.6. There is an **inherent link between how a farm business is run and the aspirations of the farmer and the way the environment is managed.** For many farms **delivering for the environment is a key part of their business model** whether this is through agri-environment schemes, other contracts or through voluntary delivery. However, we know that many farms are reliant on **good quality environmental advice** and that many of the organisations that deliver this advice have been heavily impacted through Covid 19. As such there is a need to ensure that quality advice continues to be available in a form that supports the whole of a farms operations.

8.3.7. Many of the aspects that are important for the running of the farms commodity operations and business as a whole will also be reflected in what is required in terms of environmental delivery. This includes **understanding current baselines for the environment and natural capital** as well as what can be done and what this means in terms of the environment and also financially. **A holistic approach** is required **with the right tools and the right guidance and support.**

Exmoor Hill Farm Network (EHFN)

EHFN is an independent, 100% farmer-led organisation operating as a Community Interested Company from 1st February 2020. It brings together information, training, demonstrations, grants and opportunities to upland farmers across Exmoor. The Network is open to anyone farming in the Exmoor Severely Disadvantaged Area, Exmoor Greater area and Exmoor National Park. It is free to join the Network to receive our e-bulletin "Agri-Update" and notice of all our activities.

This independent Network works in partnership with local farmers, local agencies and the wider Exmoor community to provide a long-term information and support 'hub' for Exmoor's farming community.

8.3.8. It is crucial that the right type of advice is given to the different sorts of tenure and farm business drivers. As such we need to ensure that the land owning and tenanted sectors are supported. We must also ensure that we **support succession on farms** and provide adequate business advice to enable this. In doing this we must **ensure that the planning system enables** multiple generations to live and work on the farm in housing which reflects the times and **encourages the next generation to want to stay**.

8.3.9. Where farms are moving into novel crops and areas such as **environmental offsetting** and adding value there is the need for long-term understanding of how these fit into the farm business model and how they can add **additional income streams** that are complimentary to the farm, its location and the market.

8.3.10. Key Points and recommendations

8.3.10.1. Ensure support and finance is available to pivot businesses in a new direction to benefit from opportunities that arise

8.3.10.2. Need for supporting farms to change and enhance existing farm business models.

8.3.10.3. Develop new and existing forms of farm collaboration.

8.3.10.4. New markets especially within the environment could provide new income streams for farms.

8.3.10.5. Requirement for investment funds to enable farms to remain viable and deliver new services and meet existing market requirements.

8.3.10.6. There is a need to ensure that quality advice continues to be available in a form that supports the whole of a farms operations.

8.3.10.7. Ensure planning, and other policy areas, support change within the agricultural (and other) sectors to meet regulations, new markets and impact of Covid 19.

8.3.10.8. Support for new entrants and next generation.

8.3.10.9. Need for baseline environmental data at a farm level.

8.3.11. Potential Projects

8.3.11.1. SW Agricultural Business Support Project

8.3.11.1.1. *See Page 26*

8.4. Developing a more resilient, adaptable and skilled workforce

8.4.1. Labour has always been important but Covid 19 has shown just how much and also vulnerable we all are to labour shortages. Firms which have been able to adapt their workforce to work from home, use new skills or work on new goods and services have been able to prosper and grow. Many **family farming** businesses are reliant on off-farm labour on both a permanent and seasonal basis to carry out production and processing tasks. Increasingly that reliance has been filled by non-UK citizens because farming is seen as unskilled with low pay (which is incorrect) and being hard work due often to its physical nature. **Creating a prosperous sector means we must invest** in the mental and physical wellbeing of our labour whilst also ensuring they can adapt to new opportunities and **build their skills**.

Case study – Fruit grower in Cornwall

A fruit grower in Cornwall produces 40 tonnes of principally strawberries and other soft fruits in poly tunnels and in open ground for the summer holiday trade and local food processors. Prior to C-19 the 25 strong seasonal labour force was mainly provided by east Europeans coming to Cornwall for the summer months and returning home afterwards. In 2020 this labour isn't available and the grower has recruited local people who are out of work through furloughing or closure of colleges. A group of travelling performers used to living and working away from home and a forestry student who's college has closed will be key workers. However, it is highly likely that these workers will return to their usual role at some point during the 2020 fruit picking season (May-August). Who will pick the crops for the remainder of 2020 and will European seasonal labour be available in 2021?

8.4.2. **Remote working** means using technology, such as videoconferencing, to stay in contact and deliver services for their customers, service providers and stakeholders. Whilst remote and home working can lead to **greater work satisfaction, and increased levels of productivity**, it will mean workers needing to have the right tools at home. For this we will need access to first **rate broadband and mobile signals as well as having the IT to do the jobs required**.

8.4.3. IT also means supporting the agricultural workforce through having the skills to make best use of the products of the 4th Industrial revolution. The internet of things, data and AI present **unprecedented opportunities for enhancing how we live, work and protect the environment. More efficient productivity** can lead to **improved allocation of land and resources**. All of this will mean managers and the workforce will need not only the tools to deliver but the skills to deliver. We must also **encourage the next generation of farmers**, and people in sectors and areas connected to agriculture, to come into the sector. As such **working with all colleges (especially land-based), researchers and higher education represents a massive opportunity.** However, this opportunity will be wasted if we can't get this knowledge down to the field and the farmer.

8.4.4. It will always be more effective to utilise from our core skills rather than reskilling however knowing how to do this will mean having great industry foresight, investment in facilitation and collaborative, partnership working.

8.4.5. A priority for the **NFU is supporting the mental health of farmers** and the agricultural sector as a whole. Covid 19 does nothing to improve mental health and as such we must increase our energy to support those most at need. In part this can be done through supporting them in their businesses but must also be done with the crucial and cherished support of farming charities, agricultural show societies and farm networks – all of which have been deeply affected due to C-19 – and the knock on to our rural communities.

8.4.6. Key Points and recommendations

8.4.6.1. Rapidly increase availability, and quality, of superfast broadband and mobile signal to rural businesses.

8.4.6.2. Continue to support businesses in the agri-tech sector as they develop solutions for the future.

8.4.6.3. Ensure support is available for those most challenged with the support, and guidance, of the farming charities.

8.4.6.4. *Work closely with higher and further education to encourage more people into farming with the right skills for an integrated and cross discipline approach.*

8.4.7. Potential Projects

8.4.7.1. *SW Skill UP*

8.4.7.1.1. *See Page 27*

8.5. Creating dynamic and resilient supply chains

8.5.1. Covid 19 has laid bare the fragility of our supply chains in the SW and the nation as a whole. The future must look to building dynamic supply chains that can be adaptive and agile. This will mean that we must have better mapping of these supply chains at national, regional and sub regional levels. We need to understand the risk and opportunity across all these supply chains and how they operate as a system.

8.5.2. Creating stronger local supply chains has the opportunity to create robustness as well as stronger local economies. This can be supported through simple actions such as local procurement in government and local authorities. Buying British is a trademark of a nation that is proud of itself and what it can do. To achieve this, we must have strength to enforce standards with processors and retailers and also to ensure we promote the value of British products to the public. In addition, we need to provide business support to enable businesses within the chain to be able to spot and utilise opportunities for growth.

8.5.3. These local supply chains must also be communicated in a better, more joined up way, to our own local communities, thus allowing local farms and food businesses to become the supplier of choice. This must be done alongside working with partners in the tourism, energy and transport sectors where there are significant affinities as well as linking with emerging food and drink projects coming from the LEPs.

West Country Beef and Lamb – the role of provenance and supply

In January 2014, Protected Geographical Indications (PGI's) for West Country beef and West Country lamb were recognised by the European Commission and published in the Official Journal of the EU. This means that beef and lamb from the region that meets specific criteria, such as being at least 70 per cent forage fed, is eligible to carry the PGI logo and can be badged as West Country and promoted on the basis of their rearing environment.

Livestock and grassland is crucial to the SW and becomes more valuable with changes in consumer behaviour, increased importance on local supply chains and, of course, the carbon value in maintaining quality pasture and livestock. **West Country Beef and Lamb has the potential to be a key part of the delivery of Net Zero for agriculture in the SW.**

8.5.4. Supply chains are very much related to **future trade agreements and standards**. The UK has some of the world's **highest standards** and the **SW has some of the UKs best producers**. A **risk to us all is not managing these chains** and failing our businesses, communities and environment.

8.5.5. Key Points and recommendations

8.5.5.1. Need to gain a better understanding of what supply chains exist in our region and where the risks and future opportunities are.

8.5.5.2. Develop promotional campaigns in our own region for our great food and drink products.

8.5.5.3. Increase local delivery and marketing of food and increased local public procurement.

8.5.6. Potential Projects

8.5.6.1. Project to carry out analysis of current supply chains for agriculture in the SW with recommendations for future opportunities and risks.

8.5.6.2. Development of supply chain capital funding and loans scheme.

8.5.6.3. Development of local procurement in public and private sectors.

8.6. Stronger regional and county alignment, coordination and governance

8.6.1. If we are to have a strong agricultural sector in the SW it must have governance to match. Any governance **must reflect what is needed** and not have what is needed reflect the governance available. To create a modern adaptive and efficient sector we must create governance that can deliver this. This means bodies that are **aligned and resourced** to provide not only support but also **in-depth information and expertise**.

8.6.2. We must ensure that regional and sub regional structures, such as **Local Enterprise Partnerships, deliver for the whole sector and supply chain.** They have an important role to **broker with government and new markets and are able to help** coordinate policies and delivery. Farms need to **access new markets such as carbon and net gain** from development as well as ensuring that ELMS is fit for purpose on a SW farm. LEPs working with Local Nature Partnerships can ensure we have joined up policies that truly understand and meets the value propositions of everyone.

8.6.3. Creating new governance where there are gaps that are preventing knowledge growth, coordination and delivery. Through this we can build **strong cases for funding** and ensure that delivery meets the outcomes required. Too often there is confusion about what each organisations role is and what they need to deliver. Getting together effectively and **understanding each other's value propositions** will help strengthen how we work and can lead to the **creation of "compacts" and new terms of reference** for how we work together.

8.6.4. Key Points and recommendations

8.6.5. Work with all of the SW LEPs to ensure a joined-up voice and there are no gaps in provision across the region.

8.6.5.1. Bring in additional funding for the region.

8.6.5.2. LEPs and other groupings to act as brokers for new markets and opportunities.

8.6.6. Potential Projects

8.6.6.1. Mapping of existing governance especially with regard to agriculture. Analysis of delivery of these bodies according to regional and sector values.

8.6.6.2. Development of new Compacts and Terms of Reference fitting in with a systems and whole region approach to community, business and environmental delivery.

8.6.6.3. Providing clarity on organisational and governance roles and responsibilities

8.6.6.4. Building in the ability for enhanced joint lobbying for support.

8.7. Embedding science, technology and innovation

8.7.1. Innovation has the potential to **increase profitability** within the agricultural sector and also to **deliver a thriving environment**. We already have **world class researchers and scientists in the SW**, but we have consistently failed to get this knowledge out to all farmers and land managers. We need **more applied research** which delivers **solutions to on-farm problems** and Covid 19 means we must step up our use of technology to ensure we can deliver even when society shuts down.

8.7.2. Farmers need to connect better with experts and scientists to not only get the answers and innovation needed on the ground but also to ensure that answers are developed for the right questions. It is undeniable that technology will unlock the potential for much of the agricultural sector but making this available to all is going to be a challenge. The AHDB and other stakeholders have a key role in this, by taking knowledge and disseminating it to farm level.

8.7.3. There is a need for science, research and innovation to help increase resource efficiency and further reduce environmental impact.

8.7.4. Key Points and recommendations

8.7.4.1. Work closely with our researchers, scientists and AHDB to ensure new knowledge is translated and made useful at farm level.

8.7.4.2. Working together to get funding for research that can be applied to farm productivity and environmental delivery

8.7.5. Potential Projects

8.7.5.1. Farm and Research Link

8.7.5.1.1. See page 27

8.8. Integrating information and data capture and management into businesses and decision making

8.8.1. The bedrock of any businesses and sector is having a full understanding of performance against set indicators and being clear on what needs to be delivered and for what values. Data and information are the cornerstone of this but are only as good as the analysis of them and the level at which they are captured.

8.8.2. The agricultural sector is unique in many ways. In the net zero context it is both an emitter and sequesterer of carbon dioxide. However, performance will be dictated by the information the farm and sector as a whole has. This information must then lead to innovation through science and technology and be deliverable at a field level.

8.8.3. We need to develop a coordinated and shared system that has local granularity and regional efficiency. This means working with regional and county structures and embedding data sharing into all our organisations. In addition, we need to work with national bodies such as AHDB and Defra to ensure they collect and disseminate meaningful information. We need to create panels that can come to agreement on baselines and help feed into other structures to create opportunity and manage risk. We need to ensure that mapping and GIS can be used in tools that farmers can be use and ensure that businesses are viable and also deliver the right service and product in the right place.

8.8.4. It is important that we have better data on wider biodiversity delivery, like insects, and more data about the quality of our soils and emissions to air such as ammonia. Access to good data will help farmers

8.8.5. Key Points and recommendations

8.8.5.1. Work closely with our researchers, scientists and AHDB to ensure new knowledge is translated and made useful at farm level

8.8.5.2. Create new software and hardware tools that enable effective and deficient data collection and management.

8.8.5.3. We need better data to help increase the delivery of ecosystem services and natural capital.

8.8.6. Recommendations and Projects

8.8.6.1. SW Observatory Two

8.8.6.1.1. See page 27

8.9. Integrated regulation, policy and standards

8.9.1. **Regulations are necessary but very rarely sufficient**. Covid 19 has shown that we can start to use technology as a tool for compliance and delivery of both regulation and standards. The **use of new tools** will mean **farm level production efficiencies** and **reductions in operational costs for regulators**. There will be **benefits in enhanced social and environmental delivery** (beyond the regulatory baseline) and the potential for production efficiencies. However, to get to this point there must be **increased trust in businesses** and sufficient government investment to enable the development of mechanisms and support to achieve this.

8.9.2. **Enabling businesses to help with the development of regulation** will reduce costs and help ensure there are opportunities to deliver beyond the minimum. **Co-delivery in its truest sense** where the key buyers, sellers and regulator's work together will deliver beyond the base and allow for additionality and a transformation in the way we work and delivery goods, services and the environment.

8.9.3. Brexit already means that our policy and legislative framework is fundamentally changing. The Agriculture Bill has been stalled, and restarted, at a time when the agricultural sector most needs a comprehensive and supporting strategy. Delivering *"public money for public goods"* is well understood in both farming businesses and the public too. However, Covid 19 has taught us all how **we are reliant on agriculture as a key service** and that food can quickly disappear from our shelves. Ensuring that the agriculture bill is fit to protect us all and the environment will be a challenge. How we deliver the funding from what was in the Common Agricultural Policy into a new world focused on public goods for public money is crucial as is recording how our levels of food security change with changes in land management and use. **Many farm businesses are reliant on public money to be viable** and this means any sudden, or fundamental (as we have with the current proposals), could seriously impact individuals, families and the sector as a whole. It is **essential that businesses are prepared** and this could mean extending current timetables to ensure a smooth transition. When it comes to delivery at a field level then it means making sure that policies can work for those that have the duty and right to manage those fields. In addition, it must be recognised that the financial value of that workflows to numerous businesses and parts of our society.

8.9.4. The wide-reaching Environment Bill is on its second incarnation and has stopped halfway through its progress through to Royal Assent. The Bill contains targets, plans and policies for improving the natural environment and increasing environmental protection. All of this must **join up** with continued support for agricultural businesses' to be able to deliver and also ensuring that we are not trading with other countries with one hand tied behind our backs. Farmers are determined to deliver more for the environment but need the right tools, mechanisms and support to do so.

8.9.5. Allied to regulation, policy and standards are **trade agreements** in a post Brexit situation. **Standards must be protected and not undermined if we are to have any sort of agricultural sector and the ability to feed our nation, protect our industry and enhance the environment**. Any approach must be integrated and have commitment from government and policy makers at all levels. The UK has some of the highest standards in the world and maintaining these against cheaper imports will necessarily lead to failure.

8.9.6. **Areas such as planning policy must adapt to the impact of Covid 19** and recognise that there will be delays in completing new development and as such there must be flexibility with completion dates. In addition, there is an **opportunity to work with planners to deliver growth and environmental enhancement through more streamlined processes and greater flexibility** for enabling farm businesses to change as old models become unviable and new opportunities arise. The environment has the potential to be a business opportunity but only if the right conditions are created.

Poole Harbour Nutrient Management Scheme (PHNMS) – voluntary approach to regulations

With feasibility and business plan funding from the Environment Agency, Defra and Esmée Fairbairn Foundation, **PHNMS is an NFU led whole catchment scheme**. It brings together all the farmers in the Poole Harbour catchment under one entity which will then **provide the tools and support for reducing nitrates and delivering additional environmental benefits for agriculture and other sectors especially the water company and new development**. It will achieve this through 5 key components: Operation and management of a farmer owned and controlled entity (Poole Harbour Agricultural Group); Development of catchment wide governance and management; Development of a farm level nutrient balancing tool; Development of a nutrient trading tool; and look at, access to new environmental markets through trading tools.

PHNMS is an opportunity for business to develop **voluntary approach to reducing impact on the** environment without the need for creating new regulations. It is hoped that by this approach we can transform how we deliver for farming and the environment and create more opportunities for delivering more efficiently and effectively.

8.9.7. Working more effectively, with improved data and market understanding, within the supply chain and creating an integrated approach will mean greater clarity of roles and greater efficiency of delivery.

8.9.8. Key Points and recommendations

8.9.8.1. Support new ways of delivering compliance with existing regulations.

8.9.8.2. Developed more integrated ways of compliance monitoring between different government departments and assurance schemes

8.9.8.3. Develop faster, cheaper and more remote techniques for compliance monitoring.

8.9.8.4. Develop more flexible regulations and policies that can meet the demands of issues such as Covid 19 and changing demands and technology.

8.9.8.5. Ensure that the Agriculture Bill and Environment Bill can deliver viable farm businesses and resilient food supply chains.

8.9.9. Potential Projects

8.9.9.1. Work in partnership to support an effective, and realistic, transition towards a new system of agricultural and environmental support and policy.

8.9.9.2. Create and support innovative new governance that enables meeting existing regulations and ensures more efficient forms of compliance and creating new market opportunities.

8.9.9.2.1. *See page 27*

8.10. Improved communication

8.10.1. Often communication and activity from this is either taken for granted or not properly considered. Within this we must understand that there are different drivers for different people and businesses and as such their behaviour and reaction will differ according to the communication method and message.

8.10.2. Making any strategy for agriculture work will mean we must improve our ways of communicating. Covid 19 has shown that we can use **technology to create efficient and effective models** for working together and creating shared action and sharing information and understanding.

8.10.3. We can use these tools to improve how we engage with policy makers and new markets. Using virtual farm tours within a virtual meeting means buyers and decision makers can more easily understand the problems being faced and the solutions being required or offered. In addition, we can develop better relationships and use these to form the backbone of better governance. However, we must still have face to face meetings where we can and as such must work with the key principle of "Protecting the health of everyone" and ensure that we have Covid Safety Plans in place.

Example – The future of lobbying and farm visits?

With restrictions on how we work together and meet we will need to adapt to ensure we can share information and work effectively. Meeting in a conference room might be gone as an option for a while but is this bad? With technology we can have virtual farm tours and then sit in our farm kitchens and offices and have a virtual meeting. Time is saved from travelling and we can all make sure we have the refreshments we want as we are in our own kitchens. Meetings can be more focused, and we can ensure there are actions and productive discussions. Insight can move beyond just the person in the meeting room to the whole farm.

8.10.4. Communication can be used to improve the **brand of the SW** and also individual businesses. We have learnt that **provenance matters for consumers** and that they want and require trust and confidence in not only the products and services they need but also the standards used to create and deliver them.

8.10.5. Communication needs to meet the needs and **value propositions of different audiences and customers**. With better understanding of value propositions we can produce the goods and services that different customers want and need. As such we need to develop better communication that meets these values. This will likely mean using a number of approaches and styles to meet these needs and ensure that services are appropriate. So often we learn that it is the communication and language that has been the failure for engagement and outcomes.

8.10.6. Key Points:

8.10.6.1. Improved broadband and mobile availability

8.10.6.2. Development and roll out of farmer focused communication platforms.

8.10.6.3. Increased understanding of value propositions for different audiences and customers and aligning services and communication styles to meet these.

8.10.6.4. Develop a meaningful and powerful brand for the SW.

8.10.6.5. Develop our understanding of the different value propositions of different customers, organisations and audiences.

8.10.7. Recommendations and Projects

8.10.7.1. Work in partnership to ensure quality broadband and mobile coverage

8.10.7.2. Create new tools for communication that meets the needs of different users.

8.10.7.3. Develop a SW brand.

8.10.7.3.1. *See page 27*

Projects and recommendations

9. In this section we have detailed a number of projects and recommendations for further work in order to deliver the SW Agricultural Strategic Framework. This is not an exhaustive list and these are a starting point for discussion and further development. As they currently stand they represent key work that could be undertaken to strengthen the sector through and after Covid 19. Full costings can be developed along with detailed project plans.

9.1. The projects and recommendations are shown aligned with the sector priority themes.

9.1.1. <u>Adapting to the risk of Covid 19 on farms and within the supply chain</u>

9.1.1.1. The Well Farm Project

9.1.1.1.1.1. Health and wellbeing for agriculture and related businesses.

9.1.1.1.1.2. Promotion and development of Covid 19 safety plans (C19 SP) where applicable.

9.1.1.1.1.3. Aim that these can be completed on farm to mitigate and manage risk.

9.1.1.1.1.4. Use of C19 SPs as a means to develop markets.

9.1.1.1.1.4.1. Especially the case for tourism and food chain especially box schemes and restaurants.

9.1.1.1.1.5. Ensure continued guidance and tracking and management of C19.

9.1.1.1.1.6. Promotion of mental well-being and linking with support across numerous.

9.1.2. <u>Creating better access to markets and new opportunities</u>

9.1.2.1. Market and Opportunity Project (MOP UP

9.1.2.1.1.1. Using markets as a way to grow farm incomes and viability and deliver new services and improved environment for the SW.

9.1.2.1.1.2. Analysis of markets available for different farms in different areas.

9.1.2.1.1.3. Work with different buyers around different potential farm services and aggregate buyers where possible.

9.1.2.1.1.4. Enable LEPs and other partnership bodies to act as independent brokers for new markets.

9.1.2.1.1.5. Develop new tools to enable farmers to provide new services and engage with buyers.

9.1.3. <u>Enhanced Business and Environmental support</u>

9.1.3.1. SW Agricultural Business and Environment Support Project (SW ABES)

9.1.3.1.1. Provision of on farm business and environment support and advice

9.1.3.1.1.1. Potential to deliver remotely through use of video conferencing platforms (if required through the C19 safety plans)

9.1.3.1.1.2. Through match funded support delivered via consultants on an approved framework list.

9.1.3.1.1.3. Analysis of current business model and development of new business model

9.1.3.1.1.4. Analysis of natural capital opportunities on farms.

9.1.3.1.1.5. Enhanced service with 1 yr. of business support to enable business plan implementation

9.1.3.1.1.6. Signposting to the MOP UP project for enhanced opportunity and join up.

9.1.3.1.1.7. Signposting to The Well Farm Project

9.1.3.1.1.8. Signposting to local projects and CS and ELMS

9.1.3.1.2. Farm investment programme

9.1.3.1.2.1. Loans through LEP or other bodies

9.1.3.1.2.1.1. Amount and terms based on business plan detail

9.1.3.1.2.2. Access to grants

9.1.3.1.2.2.1. Amount and terms based on business plan detail

9.1.3.1.2.3. Working with investors through the Market and Opportunity Project

9.1.4. <u>Developing a more adaptable and skilled workforce</u>

9.1.4.1. SW Skill UP

9.1.4.1.1. Signposting and training provision.

9.1.4.1.2. Creation of a web platform bringing together all training courses.

9.1.4.1.3. Provision of online training events.

9.1.4.1.4. Access to funding support for further training from framework providers.

9.1.4.1.5. Link to existing projects to help underpin their work. E.g. Catchment Sensitive Farming and providing online nutrient management training

9.1.5. <u>Creating dynamic and resilient supply chains</u>

9.1.5.1. Project to carry out analysis of current supply chains for agriculture in the SW with recommendations for future opportunities and risks.

9.1.5.2. Development of supply chain capital funding and loans scheme.

9.1.5.3. Development local procurement in public and private sectors.

9.1.6. <u>Stronger regional and county alignment, coordination and governance</u>

9.1.6.1. Mapping of existing governance especially with regard to agriculture. Analysis of delivery of these bodies according to regional and sector values.

9.1.6.2. Development of new Compacts and Terms of Reference fitting in with a systems and whole region approach to community, business and environmental delivery.

9.1.6.3. Providing clarity on organisational and governance roles and responsibilities

9.1.6.4. Building in the ability for enhanced joint lobbying for support.

9.1.7. <u>Embedding science, technology and innovation</u>

9.1.7.1. Farm and Research Link

9.1.7.1.1. Coordinator to provide platform and signposting linking agricultural and environmental research directly to farms.

9.1.7.1.2. Focus on getting information to the farmers rather than intermediaries.

9.1.7.1.3. Developing tools that speak to farmers.

9.1.7.1.4. Signpost to SW Skill UP and SW ABS.

9.1.8. <u>Integrated regulation, policy and standards</u>

9.1.8.1. Work in partnership to support an effective, and realistic, transition towards a new system of agricultural and environmental support and policy.

9.1.8.2. Create and support innovative new governance that enables meeting existing regulations and ensures more efficient forms of compliance and creating new market opportunities.

9.1.9. <u>Integrating information and data capture and management into businesses and decision making</u>

9.1.9.1. SW Observatory Two (SWOT)

9.1.9.2. Redevelop but reconfigure the SW Observatory function

9.1.9.3. Act as a central place for collation and analysis of data

9.1.9.4. Funding to allow research into and delivery of new tools that can be used on farms and businesses to allow greater business and environmental efficiency

9.1.9.5. Analysis on key performance indicators for business and key governance bodies.

9.1.10. <u>Improved communication</u>

9.1.10.1.1. Work in partnership to ensure quality broadband and mobile coverage

9.1.10.1.2. Create new tools for communication that meets the needs of different users.

9.1.10.1.3. Develop a SW brand.

Sector impact of Covid 19

1.1. Dairy

1.2. The vast majority of dairy farmers in the South West have experienced some degree of price impact, principally stemming from the closure of cafés, pubs, specialist delis, and restaurants as well as schools and other catered premises. Impact has ranged from modest price reductions to severe swingeing cuts of around 50% meaning that farmers have had to sell milk for significantly less than it costs to produce. However, there have been other impacts that are slightly harder to calculate in pure pounds and pence terms. For example, there have been varying attempts by milk processors to reduce farm production. Some have written to farmers asking for specified levels of reduction (e.g. 3%) with suggestions of reducing feed quality, taking cows out of production early or even operating a more severe culling policy. Other processors have not asked for a specific percentage of reduction but have just urged farmers to take steps to reduce by "as much as possible". Some processors have also tried to temporarily reduce milk volumes while also asking farmers to ensure that they will have an adequate supply to "hit the ground running" as the economy begins to open again. It is incredibly hard for a dairy business to do this in a short turnaround time.

1.3. In some cases, the most severely impacted dairy farmers have also had to deal with non-collection of milk (and subsequent disposal), as well as delayed payment terms which has severely impacted cash flow.

1.4. However, a number of farmers have suffered more than one of these impacts and the cumulative impact has been massive for those farmers. AHDB estimate that around 1,100 farmers have seen a high impact on their business. It is those farmers that will be struggling the most at the moment, but there is also a risk that those in the medium or low risk category see the impacts worsen over coming weeks. It has become clear that those milk processors supplying a varied range of outlets are the most resilient when it comes to the closure of the "eating out" sector. Further, those supplying the most in demand commodities such as cheese and bottled milk to supermarkets have seen demand remain high, while those on contracts previously viewed as lucrative, such as milk going in to coffee shops, are the most vulnerable during a crisis such as this pandemic. This highlights a need for supply chains and processing of milk to become more dynamic in order to adapt and get dairy products to consumers as buying patterns are forced to change.

1.5. This has all come at a peak production time for milk in grass growing regions such as the South West as the traditional "Spring flush" kicks in.

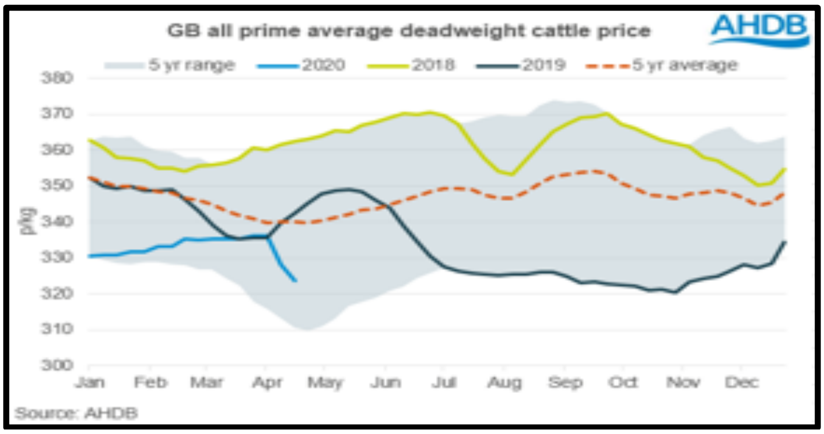
1.6. As processors supplying the foodservice sector become further weakened, there is a very real risk that processing capacity in the UK will be lost in the long term and therefore when the foodservice sector is able to open up again, more milk or dairy products may need to be imported. We need to ensure that a range of processing options are maintained and investing in to keep the dairy sector resilient.

1.7. Beef

1.8. The beef sector came into the COVID-19 crisis showing signs of recovery, following a rapid fall in prices throughout 2019 which had created tough trading conditions for producers.

1.9. Success of the beef industry is heavily reliant on balancing demand for the whole carcass. The foodservice market plays an important part in adding significant value through the sale of steaks in restaurants and this has been the key area of demand for products such as West Country PGI beef. The lower value cuts from the front end of the animal also add value through sale into the fast food industry. With the focus now being on retail sales, the value of the carcass has fallen. The fall in value is also amplified by consumers who are buying more products like mince and reducing their consumption of higher priced items like steaks and roasting joints. In terms of volume, mince accounts for almost half of the prime beef carcass, but it only provides about 20% of the price. This behaviour is often referred to as "recessionary buying" and it is reasonable to assume that this shock to the economy and impact on disposable income will cause the trend to continue.

1.10. Compared with dairy where milk tends to be sold to single processors under contract, there are very few formal relationships in the beef supply chain and more of an open market mentality, dominated principally by a few companies controlling most of the processing - the whole market is hit by the loss of foodservice demand and consumers opting for lower value beef products. Again, this contrasts with dairy where the most severe cuts are experienced by some farmers while others are shielded. Prime beef markets have now fallen back to their lowest level since November 2019. This has been exacerbated by increased business support in some of the countries that the UK traditionally imports beef from, the main one being Ireland where abattoirs are able to make use of schemes such as part time furloughing. As a result, there is limited prospect of market recovery in the short term. In practice, farmers are seeing reduced prices, particularly for the best quality stock, longer "booking in" times to arrange slaughter and therefore increased cost through extra time spent on farm, plus more dairy cull cows on the market in response to milk price drops.

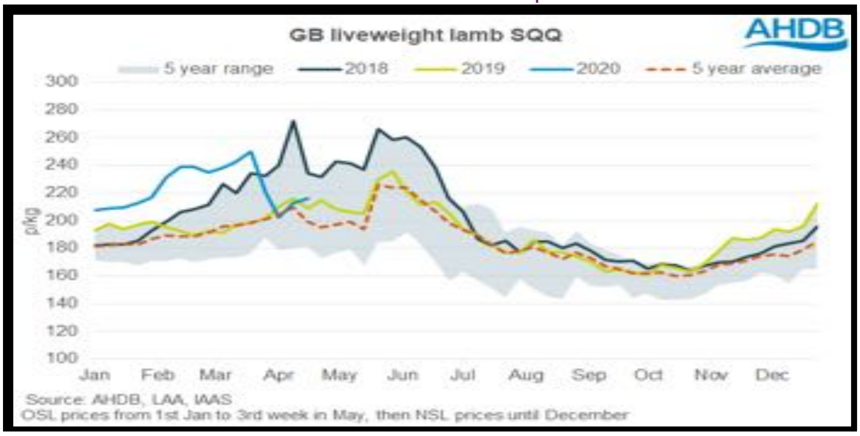


1.11. Lamb

1.12. Lamb entered into the COVID-19 crisis with a level of resilience and prices were relatively high. A weak pound against the euro supported continental demand in recent months and years, despite the longer term threat that disrupted trade to lucrative European export markets would arise. However, prices have since been driven down as movement restrictions on the continent have depressed demand as well as closure of restaurants in France (where demand has traditionally been high) impacting demand for lamb.

1.13. Traditionally, the South West enjoys an earlier lambing season and is able to capitalise on demand for new season Spring lamb around Easter. However, with family gatherings restricted and eating out not happening, domestic demand has been down.

1.14. If COVID-19 restrictions persist further into the summer and beyond, it is likely that the new season lamb market will continue to be impacted.



1.15. Crops

1.16. The COVID-19 crisis impacts will be felt in the longer term in the crops sector.

1.17. The main near-term impact has been the drop in demand for malting barley as pubs and restaurants close. Around half of the beer demand is through pubs and restaurants and the rest is sold into retail. As with other sectors, the foodservice route provides a key source of value. The barley that would normally go into this beer therefore risks being downgraded to feed barley (animal feed) at a lower value.

1.18. The UK's particularly wet autumn and winter has meant that farmers planted less wheat in October and November and more barley this spring. With a strong supply of barley likely from the 2020 harvest and weak demand because of reduced beer sales, returns could be hit with a double whammy. Indeed globally, demand for beer is low and so barley surpluses are growing.

1.19. On the flip side, wheat prices for human consumption are relatively stable because of the threat of Russian export restrictions and the current dry conditions being experience in key parts of Europe. This stability is not guaranteed in the medium term, and is of little comfort to UK arable farmers given that this summer will be one of the lowest wheat harvests for forty years in the UK due to the wet autumn and winter.

1.20. Fruit and vegetables

1.21. In addition to the impact of lost foodservice demand, the availability of seasonal labour to pick fruit and vegetables this summer has become a critical issue. Before the current crisis, the availability of seasonal labour was the single biggest concern for the 2020 harvest. The expansion of the seasonal workers pilot scheme to 10,000 welcomed by the NFU but is now on hold due to the closure of visa offices in the source countries. In addition, travel restrictions have limited the ability to bring in skilled and experienced returnee workers from the EU who were already contacted to return this year.

1.22. South west producers of cider apples are impacted as many have been contracted to produce these specialist crops, but are now left with a much depleted market due to the collapse in demand from the foodservice sector.

1.23. Much industry effort is being put into trying to recruit workforce domestically through the "Pick for Britain" campaign, which is essential if the supply of affordable fresh produce is to be maintained. However, we are already seeing furloughed workers who expressed an interest in Pick for Britain returning to work so there is a strong feeling that where there was some optimism, that may have been premature. Implementing government guidance of two week quarantines and safe social distancing in the workplace may also prove a real challenge for some businesses, particularly in soft fruit picking and vegetable harvesting and processing.

1.24. Flowers and Plants

1.24.1. The COVID-19 Crisis has come at the worst possible time of year for the ornamental sector. On average 70% of an ornamental business' turnover is made between February and June, with key events such as Mother's Day, Easter and the May Bank Holidays all falling during this period. The closure of garden centres and florists mean that many businesses have lost their primary route to market during the peak sales period, which will lead to the loss of the majority of perishable plant stock with no recoup on the capital invested in producing that stock (c. 50% of turnover). We are pleased to see that garden centres and nurseries are at the front of the queue for the phased re-opening of the economy but for many the damage of the last few months will not be recovered this year.

1.24.2. The total value of the 2020 ornamental crop (flowers and bulbs, pot plants and hardy nursery stock) is estimated by the Horticultural Trades Association to be £1.4bn. The 2018 Oxford Economics Report "The Economic Impact of Ornamental Horticulture and Landscaping in the UK" also estimates that the ornamental horticulture and landscaping sector in the UK contributed £24.2 billion to national GDP in 2017, supporting 568,700 jobs and contributing £5.4 billion in tax revenues. This is in addition to the contributions the sector makes in terms natural capital, social, mental and physical wellbeing. It is estimated that a third of ornamental businesses could become insolvent in a matter of weeks, while many more will be seriously impacted. This will have severe long term impacts on our ability to produce plants and flowers domestically.

1.25. **Potatoes**

1.25.1. Much like dairy, some potato sectors have been severely impacted by the closure of food service outlets. Those supplying fish and chip shops in particular lost almost their entire market overnight when an estimated 90% of shops closed. Since these growers' supply shops with 25KG bags of specialist 'chipping' potatoes the viability of redirecting to supermarkets has been limited. Likewise, growers supplying processing potatoes have been impacted by food service closures, although it has been more viable to redirect this produce to supermarket shelves as frozen processed produce. Due to the limited storage life of the excess potato stock, and a need to empty stores to make way for the 2020 crops, there is a rapidly increasing risk that these stocks will have to be sent to landfill if demand from food outlets does not pick up. The effects on the market are being felt by more widely even in contracted supply with production orders reducing along with prices too.

1.25.2. The impact of food service outlets closing has not just been on price, but also a total drop in demand leading to questions of how to dispose of a crop with a limited storage life if no alternative outlets can be found. Potato growers need to plan well ahead due to a restricted amount of land suitable for potato growing, and so growers are considering reducing cropping area due to market uncertainty, which could lead to future shortages when demand returns to normal levels.

1.26. Poultry meat

1.26.1. Despite good overall demand, the UK poultry meat sector has been financially impacted by Covid-19. The south west is a particular heartland for poultry meat production and has been impacted significantly at the processing stage where a key plant has experienced reduced throughput due to implementing social distancing measures on the processing lines coupled with a shortage of labour.

1.26.2. At present, the primary concern is the wholesale market. The wholesale sector has collapsed due to the closure of many retail butcher shops, takeaways and restaurants. The estimated, weekly demand from McDonalds, KFC and Nandos was collectively in the region of two million chickens per week and this demand is no longer there. Whilst some of the surplus product has been re-purposed into the retail supply chain, which has undoubtedly helped, this remains to be a relatively small volume, which is why production has been forced down.

1.26.3. Prior to COVID-19, we estimate that some 3.1 million birds per week are reared and produced for the wholesale market. Reducing that production in response to a change in demand takes time as:

1.26.3.1. Fertile eggs are in the hatchery for three weeks before the day-old chick is delivered to the farm;

1.26.3.2. The birds are then on the farm for up to seven weeks as they grow to the required weight.

1.26.4. In short, this means that reducing the numbers of birds in the system to immediately react to changes in the market is not possible.

Where were we before Covid 19?

10. Farming is at the heart of the West Country and the region as a whole comprises of Cornwall & Isles of Scilly, Devon, Somerset, Dorset, Wiltshire, Gloucestershire and Bristol / Bath area. Dartmoor and Exmoor National Parks and 12 Areas of Outstanding Natural Beauty are within the region.

    10.1. At 23,829 square kilometres, the region covers nearly ten per cent of the UK's land mass with almost three quarters of its entire area (1.8 million hectares) devoted to agriculture.

    10.2. There are just over 25,000 commercial 'agricultural holdings' of all shapes and sizes ranging from lifestyle and small holdings up to highly sophisticated, multiple thousand acre estates and agri-enterprises. It is difficult to overestimate farming's value as the foundation stone of the region's economy which goes way beyond the £1.6 billion it contributes directly.

    10.3. In fact, the region's agricultural industry directly employs just over 61,000 people, and hundreds of thousands more derive their livelihoods from a wide variety of ancillary trades and businesses. The red meat sector alone is worth £2 billion and employs 25,000 people.

    10.4. The South West produces more food than Scotland and twice as much as Wales, with agriculture contributing twice as much to the economy and generating twice as many jobs as it does in the average English region.

    10.5. Nearly a quarter of all agricultural holdings in the UK are located in the South West and the region has more cattle, calves, sheep and lambs than any other – in fact its dairy and beef herds account for almost a third of the nation's stock.

    10.6. This is because the South West, with its temperate climate, is great grass-growing country and is therefore the ideal place to turn sunshine and showers into protein via the beef cattle, dairy cows and sheep which graze it.

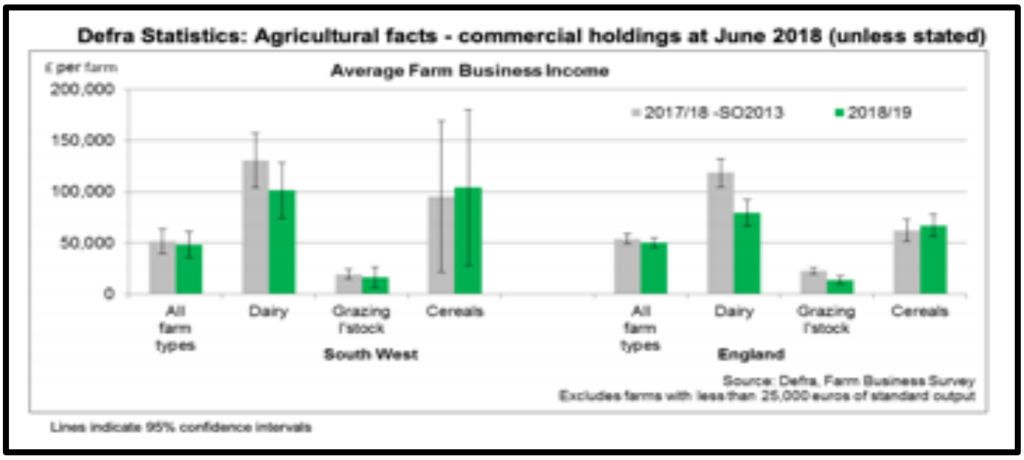
    10.7. Grass is the region's most important and extensive crop with more than half of farmed land being improved grassland, a significant proportion of which is used for silage production – a means of preserving the grass for year-round consumption by livestock.

    10.8. Generally speaking, livestock and dairy production are concentrated on the smaller family farms in the west of the region and arable cropping on the larger family farms in the east and north.

    10.9. But the varied nature of the South West's climate, topography and soil mean that in almost any part of the region you will find almost every type of farm.

    10.10. Over 360,000 hectares produce around 2.5 million tonnes of cereals each year, much of which is consumed as animal feed on the farms where it is grown. Barley occupies a larger share (40 per cent) of the cereal area in the South West than is the case nationally.

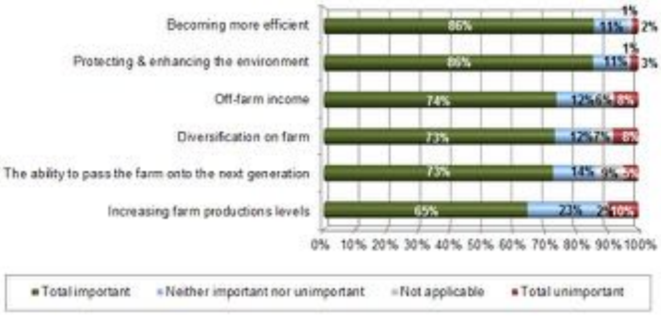
    10.11. Whilst the total income from farming decreased by 15% between 2014 and 2018 to £547 million its' value to the South West economy is still immense. The biggest contributors to the value of the output (£4.0 billion), which were milk (£1,097 million), plants and flowers (£509 million), cattle for meat (£380 million) and poultry meat (£308 million), together accounting for 58%. (Source: Defra Aggregate agricultural accounts).

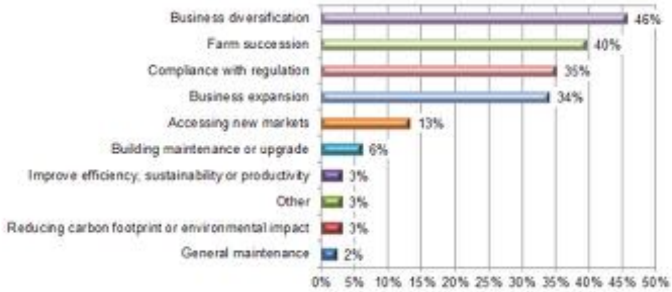


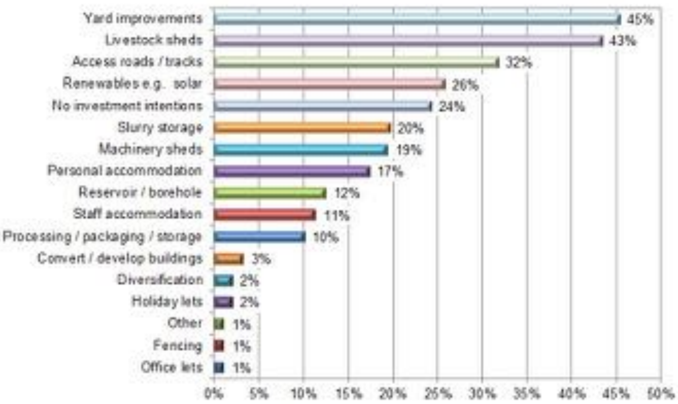
10.12. Diversification, and off farm income, are very important to the viability of many South West farms. The most common diversifications are tourism, inter alia, adding value to food produced on the farm and office units.

10.13. Just before Covid 19 changed our lives and how we work the SW NFU carried out a survey of its members. 346 farms participated giving us a great sample size and snapshot in time. The slides below give a flavor of some of the key priorities for SW farmers across all sectors and the whole area. What seems clear is that they want to invest in and build their businesses.

10.14. There was a focus on developing farm infrastructure and creating efficient enterprises that protect and enhance the environment. Diversification and productivity were key to this as was developing off farm income and looking to the future and succession. All of this within the framework of "protecting and enhancing the environment".







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