

Westminster Hall debate: Farming, supermarkets and supply chains

16th May 2023



Background

- UK supermarkets experienced fruit and vegetable shortages in early 2023. These shortages are linked to extreme weather conditions in both the UK and globally caused by climate change, such as drought or flooding.
- Farms in England are seeing phase out of the direct payments they receive under the EU style Basic Payment Scheme between now and 2027. The same budget will instead be paid out through the Environmental Land Management (ELM) scheme in return for farms delivering public goods, like nature restoration or climate mitigation. However, rollout has been criticised for being slow.
- The Basic Payment Scheme disproportionately rewarded the largest farms: 10% of farms received half the money, with the bottom 50% of farms receiving as much as the top 1%. Most farms under a system that rewards public goods [could see their financial return increase](#). The phase out of direct payments is not responsible for fruit and vegetable shortages earlier this year since horticultural farms largely do not receive payments under the Basic Payment Scheme.

Why are food prices rising?

- Food and drink price inflation has hit its [highest level since April 1980](#), with prices rising by [19.8% over the past year](#), up from 13.1% last August. The war on Ukraine has resulted in significant price hikes for fuel and grain globally, often driven by [price speculation](#), with wheat, maize, and fertiliser price particularly affected.
- Food and drink prices have also been affected by the weakness in the pound, which has made imported products and ingredients more expensive.
- The [National Farmers Union](#) have been calling for increased availability of migrant labour, following the UK's exit from the European Union, citing workforce supply constraints which have had a knock-on effect on food prices.

Is food shortage really the issue?

- Despite Russia and Ukraine growing around a sixth of global grain, global stockpiles of grains [are healthy](#), around 15% higher than a decade ago. As a proportion of demand, stockpiles have increased from 25% in 2012 to 30% in 2023.
- Global food production in 2022 was higher than in 2021, and globally per capita food supply is over [2,800 kcal](#) per person per day.
- England's 2019 wheat crop, if it had been fed to people, could have provided 2,500kcal per person [per day for 63 million people](#), using a little under 20 per cent of English farmland.
- Recent fruit and vegetable shortages were attributable to poor weather driving shortages in countries the UK imports from, combined with [Brexit](#) and supermarkets [not increasing the prices they offer](#) farmers in times of shortage meaning available food is sold elsewhere.

Is all UK land best suited for food production?

- [Not all land in the UK is suited to producing food](#), with the lowest yielding 20% of farmland producing less than 3% of the food grown in England. 40% of land in England produces two thirds of the food.

- Increasing yields on the most productive farmland through investment in technological advancements will do more for self-sufficiency than farming more land.
- The NFS points out [government subsidies amount to 91% of farm incomes on the least productive 20% of land](#). It would be more efficient to use the most productive land, which is profitable without subsidy, to meet the bulk of food demand, and instead use subsidies to pay farmers on the least productive land to restore habitats rich in nature and carbon.
- [3.5 million people](#) could be fed each year with the grain currently going towards biofuels used in the UK alone.

How can we deliver food security and meet our environmental targets?

- The Environmental Land Management (ELM) scheme is already replacing the EU's subsidy regime. ELM involves using the least productive land for nature and carbon removal, the most productive for food, and the majority of farmland to produce a mix of food, nature, and carbon removal.
- Defra's ELM scheme would [increase the income of most farms](#), despite the withdrawal of the Basic Payment Scheme.
- Environmental policies need not come at the expense of food security. According to the NFS, if by 2035, 9% of the least productive farmland were managed mainly for carbon capture and nature, [less than 1%](#) of England's food production would be lost.
- Rewarding habitat restoration on the least productive land would help [level rural areas up](#) as many farmers on poor quality land struggle to make a profit from producing food. At present, livestock farmers in 'Less Favoured Areas' effectively earn below minimum wage, but their income could increase 20% if they were supported to create woodland instead.

How can core trade standards support farmers and the environment?

- Introducing core environmental standards on imports is one way the government can support British farmers, consumers and the environment.
- At present, the only standards that apply to all food sold in the UK, regardless of origin, are food safety standards.
- The lack of core environmental standards for food imports means products produced with methods which are illegal in the UK are still allowed into the country, undercutting the high environmental requirements on UK producers, and offshoring the environmental footprint of the food we eat.
- Core standards are popular with farmers, businesses and the public. [Over one million people signed the National Farmers' Union's petition](#) to introduce core standards for food imports and a group of major UK businesses, including Co-op, Waitrose and Nestlé, have called on the government to launch an initiative to create core standards.

Who benefits from the current food production system?

- The current system of food production is not benefitting many farmers and can be disrupted by extreme weather, which is made worse by climate change.
- Analysis has shown that [UK farmers are often left with less than 1 pence profit](#) from the food items they produce.
- There has been [some criticism levelled at supermarkets](#) that they gambled by refusing to pay suppliers more, despite rising energy costs, even though they were [warned months in advance that this could lead to growers ceasing production and the prospect of empty shelves](#).
- [Analysis by Unite](#), the trade union, shows that supermarkets are among the major companies who have actually increased profits by holding prices high when costs have fallen back again, or increasing prices more than needed. In 2020, 2021 and 2022, Tesco's and Sainsbury's alone returned ~£1bn in dividends to their shareholders.

- It has been suggested that [support for cooperative farming practises can help smaller farmers become more resilient](#), through cost saving measures, sharing of best practise and increased bargaining power when working with supermarket buyers.

The need for a *Land Use Framework*

- The UK has many potential uses for its land, from farming to energy production, nature restoration and housing.
- The UK government committed to creating a 2023 *Land Use Framework* for England in its Food Strategy white paper, published in June.
- The UK Government [recently committed](#) to not restrict the land grades that solar can be built on. This makes sense since solar barely uses any land (1400ha, 0.04% of BMV farmland) and only [reduces yields 7% when combining farming with solar](#).
- Golf courses are 270,000ha in England, 193x more land than solar.

What do voters think?

- Two thirds of the public, and [blue wall voters](#) particularly, want to see environmental regulations maintained or increased, with the majority saying they would vote for the party with the most ambitious environmental plans.
- In a [poll](#) of UK adults, 53% said the environment motivated their food choices.
- [93% of the public](#) want the UK's high food standards to be maintained in all post-EU Exit trade deals.
- Only 11% of Conservative voters oppose [replacing the EU subsidy system with payments for environment and animal welfare improvements](#). All regions of the UK support rather than oppose these reforms, including 4x as many 2016 Leave voters.