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**UK Farming's Place in World Food Markets  
Domestic Production Priorities  
Tim Bennett, President, NFU**

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Thank you very much for inviting me to speak to this year's Conference. I was very sorry to miss the event last year, and pleased that I have been given another opportunity so quickly.

The theme around this Conference is food security; an issue on which there are real differences of view, and sometimes strong emotions.

To make my own position clear, I would like at the outset to set out two points which I feel strongly about myself.

First, I want to see a successful and profitable British agriculture. I do not want to see the industry downsize; indeed I think there is a real opportunity to grow. The big question for me is: what is the best way to achieve this?

Second, I think we should approach the issue positively, recognising the amazing achievements of British agriculture during my lifetime. I am often surprised that otherwise well informed people, and even people within farming, are completely wrong about production trends.

A lot of people think Britain was self sufficient in food in Victorian times. Nothing could be further from the truth. A century ago, Britain was only 30% self-sufficient, for a population of 40 million. It has been an incredible achievement to reach almost 75% at the end of the last century for a population of 60 million. With less land and fewer people working on the land we provided much more of the food for a much larger population.

And all this has been done while taking greater care of our environment, our landscape and our animals than was ever the case in the past.

Of course, in the last 10 years production has fallen and that is what has provoked a lot of the debate. Some see this as an inevitable trend, and nothing to worry about. The recent joint Treasury/Defra paper on the future of the CAP argues this line. Others see the trend as dangerous; to be reversed at all costs.

Both sides make some serious points. But there is also some rubbish talked. I have nothing against organic production: it is a market demand that needs to be filled. But to suggest, as some organic promoters do, that Britain should become more organic and more self-sufficient is just feeble-minded. I will waste no more time on that.

Returning to the recent decline in our production; the figures look stark but if we look at some of the underlying reasons, we may find that there is slightly less cause for pessimism. Some of the biggest factors are the result of policy decisions, and policy decisions can be reversed.

A big factor has been BSE and the decision in 1996 to take over-thirty month beef out of the food chain. Almost 10 years later, we have just seen that restriction unwound. That will certainly have a positive effect on our self- sufficiency.

Another has been the imposition of set aside in 1992. The NFU's view is that set aside was a dubious measure for the European Union to take, unilaterally, when we are competing in global markets. With the advent of decoupling it is totally anomalous. We haven't won this argument yet, but we will continue the battle.

And there are other supply management mechanisms that still limp on, like milk quotas; again in the view of the NFU with less and less relevance to the modern world.

The second important point that needs to be made about British farm output is that we need to be careful to look at value and not volume. In a more open world trading system, the UK is never, with the best will in the world, going to be the lowest cost supplier. We will need to compete on quality and value, not price. Within British agriculture there are currently some good and bad examples of this. The poultry sector has a successful strategy of concentrating on greater value fresh products, rather than the commodity end of the market. The dairy sector, sadly and for a variety of reasons that I will return to later, is in the absurd situation of exporting commodities like butter, skimmed milk and bulk cheese while importing value added products.

Which brings me to the core of the matter. If we want to see British food production maintained, or, better still, increased, what is the best way to achieve this?

I do not believe, in today's world, that it can be done by government diktat. Food security was, of course, one of the drivers of the Agriculture Act of 1947, and the CAP in the 1950s. What has changed since then? Essentially we are now in a much more open world trading system; there is a strong tide running for further liberalisation and it will not be reversed.

This means that there are serious international restrictions on the kind of agricultural policy that we can operate. Measures that distort trade are under strict scrutiny and there is a particular spotlight on production linked subsidies. This was the motive behind the 2003 CAP Reform and decoupling.

Rather than use specific policy instruments to encourage greater production, the government could set targets, as the last government we had in this country that was keen on government intervention in industry- the 1970's Labour government with Tony Benn at the DTI- did with "Food from our own Resources". Now, I am not a fan of targets and I don't think they would work. But if they did work, you would risk expanding production without market demand, which would inevitably lead to lower prices. In other words a throwback to the old CAP that we are now so painfully trying to escape.

No, if farming is to maintain and expand its production, it must do so as a result of responding to actual market demand. This means listening to our customers, understanding their needs and supplying what they require. That is the only way to build sustainable businesses. To say you can always trust the market is certainly an exaggeration; to say that you can never trust politicians may possibly be an exaggeration; but I know where I feel more comfortable.

And the history of British farming in the last 25 years rather bears this out. When I first started out, there was a strong feeling that the unsupported sectors of poultry and horticulture were in a vulnerable position compared with the traditional sectors of strong government involvement. Whereas now, perhaps against the odds, these are the two sectors that have actually managed to increase production and market share, despite intense competition.

This means establishing a closer connection with our customers and giving them positive reasons for buying British produce. Farm Assurance is sometimes a controversial issue with farmers; but it has given us the opportunity to establish some of our production values, to prove that we are abiding by standards, and, through the Red Tractor, to be able to establish a brand. If the farming community ever stopped fighting each other, we could make this a really valuable marketing tool.

Of course I know that this is easier for some sectors than others. The closer you are to a value added product, the easier it is; the closer to a commodity the more difficult. Cereals are obviously mostly a commodity, which makes it difficult for farmers to be in close touch with the final consumer; but this doesn't mean that it is not important to understand customers' needs there too.

Farmers are often unnecessarily gloomy about consumers, who, they are convinced, will only buy on price. If this was ever true, it is not today. Modern consumers concerns about quality, safety, freshness, provenance, production methods, the environment and animal welfare are all reasons why we can give a positive reason for buying British.

In cereals there is now also the prospect of important new markets for biofuels. Strictly speaking, meeting that new market will reduce our food security; which I think underlines very well that food security cannot be the be-all-and-end-all of our policy. Even in that biofuel market, it will be important to have an accreditation scheme to distinguish our product from imported fuel; and to be able to certify its environmental credentials.

Returning to market issues; I want to emphasise very strongly that the demand for, and supply of, British produce cannot just be a matter for the two extreme ends of the food chain: primary producers and final consumers. It must be a matter for the whole food chain. And it is in the rest of the food chain that I find a level of disinterest and neglect that is extremely concerning.

The food manufacturing sector is now the largest single manufacturing sector in the UK. 7,000 businesses; 423,000 jobs; £20 billion gross value added. If we simply imported all our raw material, other parts of the food chain would still carry on: wholesalers, food distribution and retailers would still be needed. But I don't think a lot of the manufacturing sector would stay in this country, it would move off-shore to where the production was.

This is something that I think government overlooks when they appear to be so unconcerned about British agricultural production, and to imagine it is something that could be turned on and off like a tap. There is an issue of critical mass; which once lost would be very difficult, perhaps impossible, to regain. To some extent this has occurred in the pig sector. There is a risk, that we must guard against at all costs, that the same could happen in beef.

What is amazing to me is that there are some in the food chain who are not only indifferent, but who are actively advocating a down-sizing of the industry. It is something you hear regularly in the dairy sector: that the only way to have a better functioning dairy chain is to reduce milk production. What a counsel of despair! We have excellent conditions for milk production in this country, and some world-class producers. At the other end of the chain we have world-class retailers. There is a growing demand for value added dairy products. Yet we are condemned to import them, because our processors do not have the wit or invention to compete.

In my view, if we down-size our milk production so that we just produce for the liquid market and some well established value products like speciality cheese, we risk losing critical mass and the whole sector could disappear down the drain.

Earlier in this paper I was very sceptical whether greater government involvement in markets was either possible or desirable. I will now go further. I think we need less government interference.

So far I have been talking about markets, and I have tried to give some reasons for optimism. But it's no good having markets if your cost structure makes you uncompetitive. One of the major reasons that costs have increased in recent years has been the burden of government regulation. Let me be clear ; it is unrealistic in most cases to imagine that we will roll back the tide of regulation because most, but certainly not all, are there to meet society's or consumers' demands. Indeed, they can in some cases be a positive marketing benefit. But what we must do is to drastically cut the bureaucracy, duplication and other compliance costs.

It is easy to be cynical, because there have been so many promises in the past; but Defra is at last showing signs of taking this matter seriously. There are several important initiatives taking place. Perhaps the most important is the pledge by Defra to reduce the compliance cost of regulation by 25%-something that will be independently audited by Price Waterhouse. Let me assure you that the NFU will keep Defra's feet to the fire on this.

So, to summarise my points. Food security should be of concern to the government, but we do not want government interference or targets. Food production will rise in response to real demands from consumers. We need to give consumers a reason to prefer British products The whole food chain needs to be more involved and aware of the dangers than it currently is. Government has a role in reducing costs on farmers.

If all those things come together, there is real cause for optimism.