

A National Food Production Strategy:  
The missing link in the post-Brexit policy



**SAVE BRITISH  
FOOD**



## Executive Summary

UK agriculture and thereby the agri-food industry is facing decline. This is the inevitable consequence of the government's post-Brexit approach to agricultural and trade policy. Our assessment is reinforced by the government's refusal to take effective action to prevent the importation of foodstuffs produced to lower standards and therefore sold at prices that will undermine domestic production. It is also implicitly supported by the recently published reports by the Trade and Agricultural Commission and the National Food Strategy. The tragedy is that decline need not be inevitable. It is the consequence of policy failures that, by default or design, have not prioritised exploiting the industry's potential contribution to the country's wealth and employment.

This report outlines an alternative approach based on a food production strategy. In this briefing we will set out a framework for such a policy and explain how in enabling the agri-food industry to prosper and grow it would also deliver the welfare and environmental standards – including climate warming mitigation – that lie at the heart of thinking on current agricultural policy. We urge that the government seriously consider the following action:

**Action:** *The government should commission an independent study whose remit would be to set out in some detail the production technologies, systems and relationships most likely to improve the international competitiveness of the agri-food industry and to identify the areas where government support is required.*

**Action:** *Serious and detailed consideration needs to be given to ensuring the industry has the learning opportunities and resources to encourage and support relational behaviours and thereby the achievement of dedicated, collaborative partnerships.*

**Action:** *The UK is home to universities and research institutes who are world leaders in areas ranging from crop and animal science to sensors and artificial intelligence. The government has set out multiple R&D objectives for the UK food system, but it needs to prioritise its support on the research institutes and innovation clusters that will enable the food industry to take its place in the forefront of the fourth industrial revolution.*

**Action:** *There is an urgent need for current work to improve the level and growth of productivity to be speeded-up and refocussed on the technologies, production systems and relationships that will be necessary to improve international competitiveness.*

**Action:** *A coherent food production strategy focussed on delivering the highest environmental and welfare standards requires a commitment that is perceived as unassailable. Only alignment with EU agri-food standards can deliver such an assurance at this time.*



## Introduction

The agri-food industry is one of the UK's largest industries. Its contribution of £127bn to the nation's gross value added is equivalent to that of financial services, though money values fail to capture its contribution to living standards with its provision of high-quality affordable foods alongside the scenic and amenity value of a professionally farmed countryside. Yet its future is now more uncertain than at any time in the post war period. Post-Brexit UK agriculture is on the cusp of far-reaching change as it enters a new era of reassigned (lower?) support and a more open trading environment. There is a serious risk this new era will herald a period of decline for the agricultural industry, and thereby its suppliers and food processing customers.

Our assessment of this risk arises, in part, from our interpretation of government trade policy. The countries it is targeting for new trade deals will all insist on greater access for their agricultural commodities and food products the result of which will be the UK importing more of its food in the future. Whatever the benefits, however thinly spread, for the wider economy arising from trade deals with countries such as Australia, New Zealand, Canada and the United States, the costs will disproportionately be concentrated on the UK agri-food chain.

Our risk assessment is also informed by the lack of a food production strategy. The Government's actions and commissioned studies on the future of UK agri-food have been focused on important issues but none have prioritised helping the industry achieve its full potential. While much is written about standards and climate change there is a deafening silence regarding the actions that farmers, their food producer customers, suppliers and institutions should now be taking to increase resilience and international competitiveness.

In order to demonstrate this point we will first comment briefly on pertinent aspects of the Agricultural Act 2020, the Trade and Agricultural Commission's (TAC) Final Report and the National Food Strategy (NFS) The Plan. We will then set out the elements of a food production strategy and thereby the actions we believe the government should be vigorously pursuing.

## MISDIRECTED: POST-BREXIT POLICY AND STRATEGY

### *Agricultural Act 2020*

While it was inevitable that this Act would contain an outline of the changing support system for farmers it was not unreasonable to expect the Act to also provide some detail on how the government might support the technological innovations and changes to production operations that will be vital if the industry is to achieve resilience and international competitiveness. Had the Act been concerned with another key industry say automobiles, its priority would have been to set out in some detail how the industry might improve its economic contribution to the nation's wealth and employment. The nearest the Act gets to the industry's productive contribution is generalities relating to transparency and fairness in the agri-food supply chain. Depressingly the transparency mantra is far from new. The



traceability afforded by transparency is important, but it is neither sufficient nor the driving force of the required changes.

### *Trade and Agricultural Commission*

While there is much to commend and a great deal we agree with in the vision espoused in the Trade and Agricultural Commission's (TAC) Final Report, its recommendations regarding the actions necessary to deliver a 'progressive new trade policy' are open to challenge. It would be more correct to categorise its recommendations as furnishing a defensive trade policy. Indeed, its predominant focus on agricultural commodities betrays a degree of ignorance as to what will be required to maximise the domestic agri-food industry's opportunities. Just as concerning is its underlying premise that the focus should be trade and its liberalisation. On the contrary, an improved trading performance would be one of the beneficial outcomes of a successful food production strategy.

In fairness, the TAC would be expected to highlight trade but to an improved trading position i.e. a reduced food trade deficit, it is necessary to address the nature of the products and their production systems when considering competitiveness. The reader will search in vain for what a 'bold, ambitious agri-food trade strategy' implies at the level of production; the technological advances that might be adopted and the changes to business practices that would deliver more competitive food products. Taken at face value the TAC's idea of a trade strategy is to balance trade liberalisation with protecting the UK's environmental and animal welfare standards resulting in the vague recommendation that the UK government should allow a 'reasonable period of time' for farmers to adjust to complete trade liberalisation contingent on imports meeting the high standards of food production expected from UK producers. In short, the industry will have to prepare for a greater volume of imports. The word exports, let alone consideration of their importance for a progressive trade strategy, does not figure in the report's 22 recommendations.

### *National Food Strategy*

The risk of decline is also embedded in part two of the government commissioned National Food Strategy (NFS): The Plan. The report's title if not a misnomer is inaccurate. It relates in large measure to food consumption sustainable production and climate warming mitigation. Despite government claims that the report would address food security, its recommendations amount to a retrenchment strategy for the future of farming. We do not argue with the importance of addressing sustainability and climate warming; however, these issues should not be prioritised, but rather constraints that must be taken into account when devising a strategy to improve the agri-food industry's economic contribution to the nation's wealth and employment. The NFS by inverting this logic implies a smaller industry in terms of output and wealth generation. It will also, ironically, involve the need to import more food – much of which will be produced to lower standards – thereby enlarging the food trade deficit and imperilling the food industry. Again, the NFS' chapter on trade finds no place for the word 'exports'



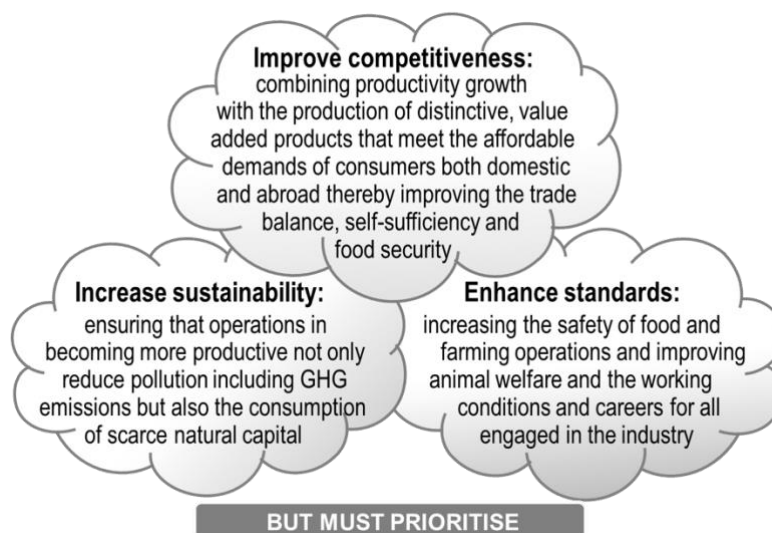
The report devotes much space to unhealthy dietary food habits. While there is undoubtedly a place for a strategy to encourage healthy, nutritious food consumption we take strong exception to report's underlying premise that dietary ill-health and in particular obesity is directly linked to modern farming practices. To give such an impression is a travesty – akin to an automobile strategy focusing on irresponsible drivers. To take but one example. Farming's ability to steadily increase potato yields ensures that consumers have plentiful supply of a stable, tasty and nutritious food, rich in vitamins, minerals and antioxidants, at affordable prices while minimising land use demands. If some consumers adopt unhealthy consumption patterns when it comes to potatoes this should not be laid at the door of modern farming. .

## A POST-BREXIT FOOD PRODUCTION STRATEGY

### *Three Challenges*

Despite reservations by farm leaders and many associated with the food industry, there are grounds for believing that UK farming and the agri-food industry in general have the potential to prosper in this new era. This however depends on a strategy that recognises that continuing to supply food products with the experience attributes of taste, convenience and affordable prices will not be sufficient. Surveys support the contention that competitiveness will progressively demand greater emphasis on meeting growing demands for the credence attributes embodied in ethical production systems. Credence preferences include provenance which may reflect trust in a country or region's delivery of other credence attributes such as production systems with world class standards in areas such as animal welfare, natural resource conservation and climate warming mitigation. In marketing terms, credence attributes are not only increasingly becoming a source of differentiating value for food products in developed nations but also they are gaining traction amongst the rapidly rising numbers of middle class consumers in emerging nations. Against this background, the starting point for formulating a food production strategy is to identify key challenges that must be addressed. Based on the foregoing, we identify the three challenges summarised in Figure 1.

**Figure 1: Three Key Challenges**





First, the UK agri-food industry must intensify its commitment to raising standards by researching and adopting improved safety procedures and animal welfare systems, as well as enhancing the conditions and careers for all engaged in the industry. A second challenge is to steadily increase the ecological sustainability of farming operations. Importantly, this does not mean reducing productivity, rather it means that productivity growth must involve reduced levels of pollution, and in particular greenhouse gas emissions (GHG), biodiversity losses and the consumption of scarce natural capital.

The third challenge is to improve the UK agri-food industry's international competitiveness. International competitiveness will enable the industry to take advantage of overseas demand for food products rich in credence attributes, but it has the added advantage of greater protection against food imports following free trade agreements (FTA) with third countries i.e. in addition to improving the food trade balance it also increases self-sufficiency and food security. Owing to high land values and the added costs associated with higher standards, international competitiveness must be largely based on food and drink products e.g. distinctive cheeses, rather than agricultural commodities.

Although tempting to view these challenges as equal objectives, overall success demands that one challenge is viewed as the priority, but its achievement made subject to the constraint of satisfying the other two. We are very clear. International competitiveness, based on food products, must be prioritised. This aligns with the government's stated priority of a 'productive, competitive farming sector' and also the open trading environment captured by the government's vision of 'Global Britain.' The opportunities for internationally competitive food products based on the demands of the world's rapidly growing middle classes - forecast to reach four billion by 2030 - are enormous.

***Action:** the government should commission an independent study whose remit would be to set out in some detail the production technologies, systems and relationships most likely to improve the international competitiveness of the agri-food industry and to identify the areas where government support is required.*

### *International Competitiveness: Credence Goods*

Productivity growth lowers prices and is a necessary condition for international competitiveness, but alone it is not sufficient. Competitiveness when it comes to differentiated products is never based solely on price, rather it depends on potential consumers perceptions of value. As observed above, in the case of food products, in addition to the traditional competitive experience attributes of taste, convenience and affordability, credence attributes are gaining weight in consumers' assessments of value. Thus, the UK's agri-food industry can improve its international competitiveness by developing and differentiating the distinctive nature of the credence attributes embedded in its food products.

As these credence attributes overwhelmingly originate at the farming stage of the food chain, improving competitiveness will involve farm businesses and their food manufacturing



customers making a reality of collaborative vertical relationships. Collaborative, vertical relationships, in contrast to typical transactional relationships, are founded on long term commitment, an alignment of attitudes and capabilities by the partners as well as agreement on their respective contributions and rewards. It is only within genuine, trusting relationships between farmers and their food manufacturing customers that distinctive credence capabilities can be fully leveraged through the sharing of information, joint learning and relationship specific investments.

Whether or not a food manufacturer seeks an exclusive relationship with a single supplier or a group of suppliers for its agricultural inputs, a genuine successful collaborative relationship will necessarily deliver supply chain transparency while rendering the idea of 'legislating for fairness' redundant. That said, the agri-food industry reveals great diversity among producers in terms of size, geographic location, experience, resources and technical sophistication. It follows that establishing effective collaborative, vertical relationships raises a number of significant hurdles.

***Action:** Ultimately, it is up to farmers and their supply chain partners to overcome these hurdles but there is an important role for government. Serious and detailed consideration needs to be given to ensuring the industry has the learning opportunities and resources to encourage and support relational behaviour and thereby the achievement of dedicated, collaborative partnerships.*

### ***Sustainability and Climate Warming Mitigation***

The global population is expected to continue growing for at least several decades; hence, if the world's agricultural industries are to meet the inevitable increase in demand for food without converting very large amounts of the world's remaining forests and wildlife habitats to farmland it will be necessary to ensure productivity remains on a rising trend. Only by raising yields as well as feed conversion ratios to higher growth rates can the outputs of food per hectare of land be increased. Land productivity is critically dependent on breeding technology and high levels of soil fertility. Advances in these areas will allow activity to be concentrated on land best suited to production, thereby releasing land to: reverse biodiversity loss; plant trees and restore habitats while mitigating side effects such as nitrogen pollution, soil erosion and facilitating the sequestration of GHGs by forests, grasslands and wetlands. Productivity growth must also apply to other productive resources including increasingly scarce natural resources e.g. fresh water.

Simultaneously raising productivity and environmental services is defined as sustainable intensification, and leading scientists have become convinced that this must be the future direction for agricultural production. The process of sustainable intensification is science led. It embraces a wide range of scientific disciplines including plant and animal breeding, agroecology, integrated pest management, agricultural and digital engineering all of which can be placed under two broad technologies:



- agri-biotechnology, which may be briefly defined as the application of new knowledge in the areas of genetics and nutrition to improve the health, resilience and productivity of crops and animals; and
- precision technology, which may be defined as the fusing of engineering and digital technologies the effect of which is not only to minimise the use and waste of farm inputs, particularly fertilisers, crop protection products and animal feeds but also to enhance crop and animal performance through data and technology provision.

At the heart of the fourth industrial revolution is the blurring of boundaries between the engineering, digital, and biological worlds. Technological advances in these areas are already contributing to sustainable productivity growth, but both are in their infancies, science has barely scratched the surface of their potential benefits. The evidence is persuasive, research and innovation will ensure further advances and all the signs are that these will deliver tremendous, realisable gains for not only efficient food production systems but also net-positive environmental and animal welfare services.

***Action:** Successfully rising to the challenge trilogy facing the UK's agri-food industry will be dependent on the health and effectiveness of the agri-food research system. The UK is home to universities and research institutes who are world leaders in the areas of biotechnology and precision agriculture. The government has set out multiple R&D objectives for the UK food system, but it needs to prioritise its support on the research institutes and innovation clusters that will enable the agri-food industry to take its place in the forefront of the fourth industrial revolution.*

### *People skills*

Technological advances are necessary but not sufficient. Ultimately the new knowledge embedded in advancing technologies and novel operating systems must be applied at the business level. We noted above that precision technologies are already and will increasingly change the nature of food production. However, their successful application will necessitate new business level skills and capabilities; in particular, the ability to collect, analyse and act upon – in real time – very large, sophisticated data sets.

Given the priority of an internationally competitive agri-food industry, access to a sufficient and appropriately-skilled workforce is essential. What is needed is a transformative, orderly learning process to develop skills and capabilities ranging from the efficient collection and use of data and artificial intelligence to the management of more sophisticated, larger scale enterprises. Also, given the importance of vertical relationships, farmers and their downstream customers must be supported in developing the people skills e.g. emotional intelligence for communication, empathy and trust, that such relationships ultimately depend on.

***Action:** the Food and Drink Sector Council's Agricultural Productivity Working Group and the related Skills Leadership Group are currently developing proposals in these areas. However, the latest published minutes suggests that is group has also been captured by the*





*TAC and NFS mindset when it comes to skills and capabilities. There is an urgent need for this work to be speeded-up – it appears still at the level of generalities and the gathering of data – and refocussed on the technologies, production systems and relationships that will be necessary to improve international competitiveness.*

## **Standards**

The government has repeatedly stated its commitment to protecting the UK agri-food industry's world class standards from erosion by imports. Yet, as we have argued, its actions threaten to undermine this commitment. One option open to the government of providing the industry with the assurance that its standards will not be undermined by imports from countries with lower environmental and welfare standards would be to announce that despite the discretion given to ministers by the Withdrawal Act, the government will not change retained EU agri-food standards without primary legislation. But Lord Frost, speaking for the government, ruled out this option, explained that 'to do trade agreements with other countries you need to have control of your own agri-food and SPS [Sanitary and Phytosanitary] rules<sup>1</sup>'. Implicitly, Lord Frost is admitting that future trade deals will involve some trade-offs on standards – an interpretation confirmed by the Secretary of State's assertion that he cannot bind the hands of future governments in this matter<sup>2</sup>.

Trade deals with countries who attach importance to the export of agri-food products will not enter into agreements that do not offer their producers greater access to the UK market. An international competitive UK agri-food industry could not sensibly object to such agreements if their standards were protected. This however, is not the situation currently faced by UK producers. Not only, as explained above, is a strategy to improve competitiveness lacking, but also even if such a strategy existed it would be undermined by the likelihood that UK agri-food standards would be undermined by future FTAs. The government's expressed interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) amounts to signalling a willingness to move away from EU standards. In principle, it could seek to negotiate tariff-rate quotas for products judged to have been produced to lower standards but coming on top of the UK-Australia FTA Agreement in Principle – where complete liberalisation is the aim, albeit after a staged phasing out of tariffs – the government seems content to offer only limited and short-lived protection.

In the absence alignment with EU agri-food standards or binding domestic legislation, the interpretation of 'equivalent' standards will be decided behind closed doors and subject to the give-and-take of negotiations: negotiations where the other party will be aware that and the government's refusal to legislate signals flexibility in this area. Only when the deal is agreed will the TAC, Parliament and the wider public have sight of the details. Just how effective any comments by the TAC might be in this situation remains a matter of speculation, but the omens are not good. As with MPs, the TAC will in reality be powerless to amend or reject an agreed deal. When it comes to trade agreements the UK suffers a democratic deficit.

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<sup>1</sup> Giving evidence to the European Scrutiny Committee on 17<sup>th</sup> May, 2021

<sup>2</sup> George Eustice, BBC Today Programme Friday 26th June 2020



Democracy aside, the government's refusal to take action to rule out the threat of an influx of lower standard imports undermines a strategy to improve the agri-food industry's international competitiveness based on a distinctive reputation for delivering highest standards of ethical production. As with any other industry productivity growth and competitiveness are dependent on innovation and investment in fixed and human capital. The future threat of imports that are not subject to the same high standards as domestic produce increases the uncertainty already faced by producers and hence reduces the willingness to risk investment, particularly if payback is spread over many years.

A further reason why the government should reconsider its unwillingness to legally bind UK agri-food standards to those of the EU is the fact that establishing a reputation for high standards necessitates inter alia, superior supply chain traceability. EU regulations addressing food chain traceability are acknowledged as global leaders<sup>3</sup> thus alignment would not only remove uncertainty regarding the UK future approach to standards but also it would deliver at a stroke the reputational externality necessary to underpin credence-based competitiveness. As demonstrated by countries such as Norway, here is no conflict between being subject to the EU's agri-food standards and a country's ability to pursue its own trade policies. If membership of the European Economic Area is deemed a step too far the government could adopt a 'Swiss style' bilateral agreement to align with EU agri-food standards.

***Action:** There is no inherent contradiction between legislating to protect agri-food standards and the UK's ability to negotiate FTAs with third countries. It would however prevent an agreement that breached the legislation and remove from the negotiations the scope for parties to compromise on standards. A coherent food production strategy focussed on delivering the highest standards of credence attributes requires a commitment that is perceived as unassailable. Only alignment with EU agri-food standards can deliver such assurance at this time.*

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<sup>3</sup> Comparison of Global Food Traceability, Regulations and Requirements, Sylvain Charlebois et al., Comprehensive Reviews in Food Science and Food Safety, Vol.13, 2014



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