



Department
for Environment
Food & Rural Affairs

Lord Gardiner of Kimble
Parliamentary Under Secretary of State for Rural
Affairs and Biosecurity

Seacole Building
2 Marsham Street
London SW1P 4DF

T 03459 335577
defra.helpline@defra.gov.uk
www.gov.uk/defra

Baroness Rock
House of Lords
London
SW1A 0PW

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Dear Kate,

I am responding to your question on grant schemes to support all dairy and tenant farmers, which you raised on Tuesday 28 April in a topical question raised by Bishop of St Albans. I apologise for the delay in replying.

Dairy farmers are crucial in ensuring that food supplies remain resilient in this difficult period. While prices for most dairy farmers are largely unaffected by Covid-19, some have been impacted by the closure of the food service sector. Defra is working closely with the NFU, the AHDB and Dairy UK to support farmers during this period of disruption.

The vast majority of Britain's dairy farmers continue to supply their milk contracts. Between 5 and 10 per cent of total milk production goes to the food service trade which has been severely impacted by the lockdown restrictions. Farmers supplying milk to processors that sell into the food service sector have seen a significant reduction in demand and we have taken several steps to support those affected.

On 6 May 2020, Defra announced a new fund to help support those dairy farmers who have seen decreased prices due to the loss of the food service sector. The new fund will provide support for those most in need. Eligible dairy farmers in England (those who have seen a 25% or more drop in income) will be entitled to up to £10,000 grant aid to cover 70% of their lost income during April and May. This will ensure they can continue to operate and sustain production capacity without impacts on animal welfare. This funding followed the launch on 5 May of a government backed £1million campaign aiming to boost milk consumption and help producers use their surplus stock. This 12-week campaign is being led by AHDB and Dairy UK.

The Government has also taken steps to support the sector include changes to competition rules to allow retailers, suppliers and logistic services to work together. This has allowed the dairy industry to redirect some of their surplus supply from the hospitality sector to retail. Subsequently, on 17 April, we announced a further temporary relaxation to enable further collaboration in the supply chain, making it easier for processors to come together to maximise production and processing and storage efficiency until shops, restaurants and pubs are able to open again. The SI permitting this additional easement was laid on Friday 1 May and will apply retrospectively from 1st April 2020. The Agriculture and Horticulture

Development Board and Dairy UK are leading work together with farmers, processors and other key stakeholders to help industry take advantage of these easements.

These follow a number of actions early on to support dairy farmers and other sectors. These included designating employees in the food sector as key workers and temporarily relaxing the normal rules on drivers' hours, enabling the sector to keep supply chains running, including deliveries from farm gate to processors.

The dairy industry can also access various Government backed loan schemes. The Covid-19 Business Interruption Loans scheme is available to farmers, milk buyers and milk processors. We have been in priority discussions with the banking sector to clarify the position for farmers and dairy processors, with clear guidance issued to the banks. In addition, the new Bounce Back Loan scheme, which will apply to businesses including those operating in agriculture, will ensure that the smallest businesses can access up to £50,000 loans. The government will provide lenders of this latter scheme with a 100% guarantee on each loan, to provide them with the confidence they need to support the smallest businesses in the country. We will also cover the first 12 months of interest payments and fees charged to the business by the lender.

Beyond these immediate measures to manage the current crisis, the Government plans to launch a range of initiatives to improve the position of milk producers. Government is keen to see greater levels of collaboration between producers and will continue to support farmers who want to harness the benefits of working together. Our Agriculture Bill includes powers to introduce a new domestic system for recognising producer organisations, which will be better tailored to the requirements of UK producers.

The Bill also includes powers to introduce and enforce statutory codes of practice to address unfair trading practices which can occur between milk producers and purchasers. We will carry out a full consultation on dairy contracts to take account of the range of stakeholder views and hope to launch the consultation later this year.

A vibrant tenanted sector is vital to a successful future for agriculture, a third of agricultural land in England is tenanted. Tenant farmers can access the business support schemes the government has put in place to help in these unprecedented times. In addition, Defra has worked closely with the Country Land and Business Association and the Tenant Farmers Association on a joint initiative to encourage all rural landlords and tenants to work together collaboratively and compassionately at this time in respect of all tenancy matters, but particularly regarding rent payments, notices to quit and finalising new tenancy agreements. Furthermore, from the 27th March 2020 court possession proceedings have been suspended for a 90-day period. This is in line with public health advice to limit all nonessential movement and it provides agricultural tenants with additional assurance that they are protected from eviction proceedings during this difficult time.

A copy of this letter has been placed in the libraries of the House.

Your ever, *John*