



Digesting the election

The new politics of sustainable food

A report of the Business Forum
meeting on 18th May 2010

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About the Business Forum

Ethical questions around climate change, obesity and new technologies are becoming core concerns for food businesses. We have launched the Business Forum to help senior executives gain expert insights into the big issues of the day. Membership is by invitation only and numbers are strictly limited.

The Business Forum meets six times a year for in-depth discussion over an early dinner at a London restaurant. The forum members shape the meeting agenda.

To read reports of previous meetings, visit foodethicscouncil.org/businessforum.

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Introduction

Britain has new people in government and a new kind of politics. As in every sector, farming and food businesses wonder what this will mean, even as new ministers and civil servants grapple with that question themselves.

The May 2010 meeting of the Business Forum, held 12 days after the election, focused on its implications for food security and sustainability. Would there be changes in institutional architecture? What would be the ideology behind the new government's approach? Does it matter that such a high proportion of MPs are first-timers?

We are very grateful to our speakers: Thomas Lingard, Deputy Director of Green Alliance, and Adam Leyland, Editor of The Grocer. The chair was David Croft, Director of Conformance and Sustainability at Cadbury and a member of the Food Ethics Council.

This report outlines points raised during the meeting. Contributions are not attributed. The report was prepared by Tom MacMillan. It does not represent the views of the Food Ethics Council, the Business Forum or their members.

Key points

- The new UK government is a Conservative-Liberal Democrat coalition that will stand for a fixed term of **five years**.
- The Tory and Lib Dem manifestos had agreed on clarifying **country-of-origin labelling** and introducing a **supermarket ombudsman**, but diverged over **EU farm policy**.
- Defra's new team of ministers are all Conservative, sharing a background in **farming and a Eurosceptic** voting record.
- Defra is expected to focus more on its **agricultural remit** and less on the environment.
- How the departmental infrastructure and the new government's policies develop might best be understood by exploring the ideology behind it, particularly the idea of the **'big society'**.
- In the short-term, the need to cut the budget deficit will have an overwhelming influence on government activity, and **Defra is particularly vulnerable to cuts**.
- With the Tories having promised a **'bonfire of the quangos'**, many such bodies may also seem vulnerable, but any moves to eliminate them should be based on careful review, to avoid serious unintended consequences.
- Facing the need to meet new commitments while making savings, the Tories may be forced to overcome their aversion to **regulation**.
- However, government will favour a voluntary approach to its dealings with business, and up expectations of **corporate citizenship**.
- Businesses, in turn, want **leadership and certainty** from government.

The political landscape

The May 2010 election resulted in a hung parliament. After several days of negotiation, the Conservatives formed a coalition government with the Liberal Democrats. The new government has announced that it will stand for a fixed term of five years, and has set out a programme that combines elements of the Tory and Lib Dem manifestos.¹

The governing parties together account for 59% of seats in the House of Commons, leaving Labour 29% and other parties 12%. Over a third of the 649 MPs are in parliament for the first time, with this inexperience on the backbenches conceding power to the front. More MPs than previously come from a private sector background.

The Tories and Lib Dems are in broad agreement over the need to tackle climate change, though at odds over nuclear power. Significantly, they have agreed to put a floor price on carbon. On food and farming, both manifestos committed to clarifying country-of-origin labelling (COOL) on processed meat. They were also united on wanting an ombudsman to mediate between supermarkets and their suppliers.

However, they diverged in their approaches to reform of the European Common Agricultural Policy (CAP). Whereas the Tories looked set to continue the previous government's efforts to spend less on agriculture through Brussels, the Lib Dems promised to spend better, pushing a

greater proportion of the budget towards sustainability initiatives.

None of these issues – COOL, the ombudsman or the CAP – is mentioned in the main programme that the government has so far set out. Many eyes will be watching which commitments are pursued and how the parties negotiate their differences.

Departments

The Department for Environment, Food and Rural Affairs (Defra), is the ministry most obviously concerned with food and sustainability. It has a ministerial team of four Conservatives. The Secretary of State is Caroline Spelman, the Minister of State is Jim Paice, and the Parliamentary Under-Secretaries are Richard Benyon and Lord Henley.

All four ministers have a background in agriculture. They share previous voting records of supporting efforts to address climate change and strongly opposing further EU integration. Jim Paice had been on the shadow Defra team in the run-up to the election, whereas Caroline Spelman had not. Indeed, many observers had expected that Nick Herbert, now responsible for policing, would have been the Conservative choice to lead Defra. Caroline Spelman's appointment has attracted controversy, due to her previous interest, and her husband's current involvement, in the biotechnology industry.

Despite a Eurosceptic voting record, Spelman is regarded as well-placed to manage the UK's relationships with other EU countries over agriculture, reassuring business people who had

¹ www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf

been nervous about the implications for international trade of Tory hostility to Europe. She speaks several EU languages and has worked as a European sugar beet lobbyist.

In addition to this team's strong links with farming, there are other suggestions that farming will become more central to Defra's work, compared with environmental issues. In particular, whereas Lord Henley will represent the UK on the EU meetings on the environment, the more senior Jim Paice will represent the UK in meetings on agriculture. However, in contrast to the all-Tory team at Defra, the Department for Energy and Climate Change (DECC) is led by Chris Huhne, a Lib Dem.

Before the election, the Conservatives were considering whether Defra might play a strengthened role in co-ordinating cross-government approaches to environmental issues. One area where this might play out is public procurement, where new MP Zac Goldsmith has been leading a working group on more sustainable practice. However, the new government's formal programme and the farming background of Defra's ministerial team both suggest that buying British is likely to be the highest priority for any new procurement initiative.

Of course, other departments than Defra arguably have more power on food issues. Back-of-an-envelope calculations would suggest that although the Department of Health and the Treasury each spend a much lower share of their budget on food than Defra, the absolute amounts they spend are considerably higher. The Departments for

International Development and for Education are also particularly relevant to food issues.

There is much speculation over the future of the Food Standards Agency – at arms length from government and chaired by former Labour minister. One possibility is that the agency might get split, with its food safety remit subsumed by Defra and responsibility for nutrition going to the Department of Health. For some in the food industry, this is a matter of concern, because the agency is trusted by consumers to represent their interests, and because it has proved better at joining up government over food issues than previous arrangements.

Ideology

How government departments will be configured and the specifics of policy are likely to become clearer over the ensuing months. We may be able to get the best sense of the direction they are likely to travel from understanding the ideas underpinning the new government's thinking.

The Conservatives have stood by their idea of the 'big society', which was slammed by the media in the run up to the election. It is central to their thinking.

One version of this ideology is summed up in a recent book, *Red Tory*, by an academic called Philip Blond. He argues that, since the 1980s, government and business have grown symbiotically. Big business has been treated as a friend of the state, funding it and delivering its agenda. This would explain why New

Labour appeared closer to business than to the unions.

Blond contends that this enlarged state is unsustainable, and that a smaller state is better. He argues that such a situation – a smaller government and a bigger society – empowers people more and allows them greater responsibility.

This kind of thinking seems central to where the Tory front bench will be coming from. It is likely to colour their approach to food issues ranging from public health to waste and grow-your-own, as well as how they tackle broader issues such as the government deficit, regulation and relationships with business.

The deficit

In the first few months of government, if not longer, tackling the budget deficit is likely to loom large. Indeed, it is expected to have an overwhelming influence on the direction that policy heads. The country is broke and the Prime Minister is worried about what the International Monetary Fund makes of his performance. Debates will be driven by the need to cut the deficit and everything else will be secondary. Options that carry a net price tag will get short shrift, and those that offer major savings will be top of the pile.

On the face of it, Defra's spending is vulnerable to cuts. Politically it looks like a relatively easy option because, compared with alternatives such as health or education, it would be likely to upset fewer people. That said, Defra's budget is much smaller in the first place, so the scope for savings is modest.

Tory policy on public health is about devolving responsibility, with people encouraged to take care of their own health. Savings here are likely to come through targeting spending on groups that experience the most pronounced needs. Blanket tax credits and other support are likely to be removed. The Change4Life health programme will probably remain as its messages are in keeping with the emphasis on personal responsibility. The 5 A Day campaign to encourage people to eat more fruit and veg may be more vulnerable.

As well as this hunt for savings, efforts to cut the deficit may also yield new ideas for taxation. Changes in VAT may be one place this touches the food sector. However, some food is currently exempt from VAT and the rest is taxed at variable rates, so raising all VAT on food to 20% – as is expected for other products – might be politically risky. The easiest target would be to close 'loopholes' on VAT whereby, for example, crisps are VATable but muffins are not. In any case, we are likely to see a debate about VAT on food, whether or not there is any serious intention to raise it.

A 'fat tax' or 'soda tax' has also been mooted, which might raise revenue and benefit public health. Aside from technical debates about how much such measures would see people change what they eat or drink, they seem unlikely on political grounds. Since VAT is linked to EU rules, implementing such a measure might be expected to use a disproportionate share of this government's scarce political capital in Europe.

Another possibility is that government may clamp down on the 'tax-efficient' supply chains of multinational businesses, including in the food sector, which lose the exchequer billions of pounds every year.

One widely shared concern is that by trying to cut spending or raise revenue in the short term, we don't shoot ourselves in the foot. For example, food manufacturers argue that they are well placed to support economic recovery, and taxation should be designed so as not to hold them back. Conversely, others are concerned that giving the finance industry a free rein in the hope of boosting economic growth will fail to tackle the very problems that led to the financial crisis and contributed to a parallel spike in food prices. Tackling the deficit is a good opportunity to face up to such structural problems.

Quangos

Quangos, such as non-departmental public bodies, seem especially vulnerable to cuts, as they appear to offer simultaneous opportunities to reduce spending and bureaucracy. With this in mind, the Tories had promised a 'bonfire of the quangos'.

Depending how quangos are defined, a large number have a say in food and farming. These range from the Food Standards Agency itself, to smaller bodies such as the research councils, the Agricultural Wages Board, the Gangmasters Licensing Authority, the Regional Development Agencies, the levy boards and the Veterinary Medicines Directorate.

While many people in the food sector support efforts to simplify government, they are very concerned that an indiscriminate approach to cutting quangos could be counterproductive. The priority must be to evaluate what their functions are, what benefits they bring and at what cost.

For example, levy boards such as the British Potato Council are paid for by farmer contributions, not by taxpayers. The Agricultural Wages Board – proposed for demolition before the election – has been vigorously defended by people from across the sector that it regulates. The Gangmasters Licensing Authority, introduced after 24 Chinese cocklepickers died in Morecambe Bay, is also widely regarded as necessary to prevent a repeat of that tragedy. The Regional Development Agencies act as a conduit for farm payments through the CAP which, whatever the new government's own preference, are unlikely to be scrapped by Europe during its current term. The Waste and Resources Action Programme, another quango, now justifies its existence in terms of resource efficiency savings.

Furthermore, closing down organisations carries a wind-up cost. For example, when the previous government wound up Food From Britain in 2009, it faced a substantial bill.

So it is easy for government to rub its hands at the thought the spending and red tape it might cut by eliminating quangos. And there may be genuine savings and efficiencies within reach. However, anything other than a cautious approach could end up costing

the taxpayer dearly and losing important public benefits.

Regulation

At the same time as urgently trying to cut costs, the new government also wants and needs to meet its commitments. Since substantial new incentive schemes are out of the question, this leaves it little option but to regulate. So while the Tories don't like regulating, they may be forced to overcome that aversion.

Ideologically, the government will prefer to make changes, for example relating to health or the environment, through voluntary agreements with industry. However, these are likely to be backed up with regulation or the threat to intervene.

One interesting commitment is the government's pledge to make it a criminal offence to import illegal timber. Could this breed a comparably tough attitude to other commodities, such as palm oil? Whether this aspiration will ever make it off the drawing board is another question, though, since it would seem contrary to the UK's existing commitments through the World Trade Organisation, which government has not proposed to revise.

Business

So government will have a preference for voluntary regulation but may be forced to take a tougher approach. Beyond that, what relationship can food businesses expect to have with the new government?

In broad terms, political influence is likely to shift down the supply chain. Whereas New Labour got on famously with supermarkets, the new government is expected to be closer to farmers. Indeed, one might even envisage it seeking to revitalise independent high-street shopping at a direct cost to the major retailers.

The 'big society' approach will stretch to include business. In a bid to implement practical changes at low cost, businesses may be called upon to play an active, unpaid role in community projects, health delivery and environmental improvement. Expectations of good corporate citizenship will be increased.

What does business expect from government? In short, leadership and certainty. Businesses want to know whether the previous government's *Food 2030* strategy will stay or go (the strategy was broadly welcomed and there is enthusiasm for preserving its thrust), how the price of carbon will develop and whether the UK will be in step with other EU countries on key policy issues that affect trade.

On the face of it, a fixed-term parliament promises to provide a foundation for this. However, the US experience suggests that businesses craving a stable political landscape shouldn't get their hopes up. There, campaigning starts so long ahead of the next election it is said to lead to even shorter-term politics.

Speaker biographies



David Croft is Director of Conformance and Sustainability at Cadbury, where he is responsible for food safety and quality, health and safety, environmental management and environmental sustainability, ethical sourcing and sustainable agriculture, addressing Cadbury's own sites around the world and their global supplier network. Prior to joining Cadbury, David worked for the Co-operative Group, where his senior roles within its retail business included leading technical and marketing functions in environmental sustainability, ethical sourcing and retail standards. David previously served as a director of the Ethical Trading Initiative, and as a council member at the Campden & Chorleywood Food Research Association.



Adam Leyland is editor of *The Grocer*, the bible of the food and drink industry. A lifelong 'foodie' and 'winophile', he's a passionate campaigner on behalf of healthy, natural food, while promoting the merits of a balanced diet and common sense in the ongoing debate about obesity. But in his regular appearances in the national media his expertise extends to consumer trends, food prices, alcohol promotions, the power of the supermarkets and more. Adam was voted the 2009 Editor of the Year by the British Society of Magazine Editors in November 2009. And in February 2010 a survey of the 500 leading Business Superbrands saw *The Grocer* rise to 150th place, to become not only the No1 trade magazine business superbrand, but outscoring *The Guardian*, Yahoo, CNN, Saatchi & Saatchi, JWT, Nielsen and *The Spectator*. In a 20-year business journalism career, Adam has also edited *Press Gazette*, *PrintWeek* and *Real Business*, and launched the US edition of *PRWeek*. Adam is married, and is a very proud new father!



Thomas Lingard is Deputy Director of Green Alliance, an independent organisation working to make environmental solutions a priority in British politics. He is responsible for leading the policy team and supporting the development and delivery of the organisation's three-year strategic plan. Thomas joined Green Alliance in 2008 after nine years with Unilever where he specialised in sustainable development, public affairs and partnerships with NGOs. Thomas is a Chartered Management Accountant, a trustee of Action Space (London's leading arts organisation for people with learning disabilities) a member of the Oxfam GB's supervisory group and a Fellow of the RSA. He holds an MSc in Development Management from the Open University and a Post-Graduate Certificate in Cross-Sector Partnerships for Sustainable Development from Cambridge University.



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