

Date : 2 April 2020  
To : Scottish MPs  
Cc : House of Commons Scottish Affairs Committee  
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### **CORONAVIRUS: AGRICULTURE SECTOR UPDATE – ISSUE 3**

- Like all sectors of the economy, each sector of Scottish agriculture has or will be impacted by COVID-19 and the restrictions imposed by the virus outbreak. This regular update sets out outstanding questions relating to specific sectors and areas where NFUS requests the assistance of MPs. NFUS asks for the support of MPs in communicating the below issues to the UK Government.
- NFUS is updating daily an FAQ section on its website ([link](#)) which sets out tailored information for the agricultural sector on the virus, restrictions and guidance from the UK and Scottish governments. NFUS welcomes the various support packages that have been announced by both the Scottish and UK Government and is encouraging as many members as possible to investigate what support might be available to them.
- NFUS is keen to stay in close communication with MPs as these issues evolve. Please get in touch using the contact details above for further information.

#### **Agri-food supply chain collaboration**

1. The President of NFU Scotland has this week written to the Secretary of State for Environment, Food and Rural Affairs and the Scottish Government's Cabinet Secretary for Rural Economy and Tourism thanking both governments for collaborative engagement that is supporting the whole food and drink supply chain to keep produce moving to retailers during the national lockdown.
2. NFUS is closely monitoring prices across the agricultural commodities (see section [below](#)). For some agricultural commodities, the loss of the export market

and/or the foodservice sector has presented particular challenges and NFUS considers that more could be done by retailers to meet the realignment of distribution that the market needs in this crisis.

3. NFUS considers that the significant hike in demand within retail for food and drink products underlines the importance of instilling guaranteed contracts, payment on delivery and price transparency in dealings between retailers and their suppliers to ensure fairness through the whole supply chain and back to the primary producer.

#### **Actions Required**

4. **If all retailers were to adopt this practice during this period of extraordinary high demand it would give significant confidence to the agricultural sector. NFUS asks for the support of MPs in seeking reassurances from UK Government that fair dealings are instilled throughout the food and drink supply chain at this critical time.**

#### **Worker shortages**

5. On 30 March the EU Commission published a communication relating to the free movement of 'critical workers', including seasonal agricultural workers ([link](#)). This communication, if applicable in the UK, could provide significant relief to Scottish growers who are facing severe worker shortages with the potential to lose significant amounts of crop that may go unpicked.
6. Until issues regarding the movement of workers from outside of the UK are resolved, NFUS has established an employment-matching service on its website which is open to any individual who may be able to undertake farm-work. The initiative will match these individuals with NFUS members who are experiencing labour shortages on their farms as a result of the coronavirus situation. The site is available [at this link](#). NFUS understands that similar initiatives are underway to fill worker shortages that are anticipated for sheep shearers ([link](#)) and animal welfare services including other skilled/experienced farm work ([link](#)).

### **Actions Required**

7. **NFUS asks MPs to request clarification from the UK Government as to the applicability of the EU Commission's communication on the movement of critical workers in the UK as a matter of urgency.**
8. **NFUS asks whether MPs can clarify that workers furloughed as part of the UK Government's Job Retention Scheme are able to take on temporary work with a new employer whilst part of this Scheme.**
9. **NFUS is grateful for the support of all parliamentarians in promoting the initiative to constituents – either agricultural businesses that are experiencing labour shortages, or individuals who may be out of work and in a position to assist.**

### **Pensions contributions for temporary/seasonal staff**

10. Under current rules employers must pay a minimum of 3% of staff member's earnings into their pension with the total combined payments by staff and employee being no less than 8%. NFUS supports this, recognising that it helps produce a level playing field amongst employers. However, the pension requirements also apply to harvest workers because their wages are generally well above the weekly earnings threshold of £118 per week.
11. In any normal year, the problem for farms employing a lot of temporary/seasonal non-UK workers is that there is a lot of administrative effort involved in enrolling the workers for the pension and most if not all are not interested in building up a small pension pot in the UK that is not in their currency and that they cannot easily access until they are in their mid to late 50s.
12. Due to the reasons set out above, it is anticipated that there will be a significant shortfall in non-UK workers being able to undertake work in the UK this season and as such, growers hope to be able to recruit UK resident workers through the aforementioned labour-matching service for this season.
13. It is anticipated that very few, if any, UK resident workers will take on employment on-farm this season with a view to staying on permanently, instead wishing to make as much money as they can until their normal employment resumes. It is not therefore anticipated that these temporary workers will expect to contribute to a separate pension pot.

14. Although workers can opt out of the pension scheme, this cannot be suggested by employers, to avoid them putting pressure on workers to not participate.

#### **Action required**

**15. NFUS asks whether the requirement for temporary farm workers to be enrolled in a pension scheme be lifted should be suspended, at least until the end of 2020 with a commitment to review the requirement. NFUS would appreciate any political support in communicating this to the UK Government.**

#### **Sector impacts - Soft Fruit and Field Vegetables**

16. Without knowing if workers will be available growers will need to make business decisions on whether to proceed with taking crops through to harvest. For example, a large broccoli grower reports that to grow a crop of broccoli requires input cost of £1,300 to £1,500 per acre - so a 400-acre broccoli grower needs to commit circa £500,000 with no guarantee of having any labour to harvest. With only 15% to 20% sown we are at a critical time for growers to make decisions to reduce the remainder of their planned production.

#### **Actions Required**

**17. If the UK Government could underwrite the cost of growing crops this would give growers the confidence to go ahead with production when there is so much uncertainty about over the availability of labour. NFUS has posed this question to the UK Government and would appreciate any support in gleaning the possibilities around this.**

#### **Agricultural commodity price impact**

18. **Lamb.** Last Monday (23 March) liveweight lamb prices across the UK fell sharply. Cull ewes fell on average almost £37 a head, a drop off over 33 per cent. This is down to the losses in the critically important export markets, with open-air city markets in France close. The sheep-meat sector will also be hit by a lower than usual demand due to families unable to spend the holiday together.

19. **Beef.** Beef is also undergoing some market destabilisation due to the closure of the hospitality market, with consumers opting for versatile minced or diced beef products at retail, and a reduction in the demand for higher value cuts which perform well in hospitality.
20. **Dairy.** NFUS has significant concerns about an oversupply of milk on the market and lack of processor capacity. NFUS is concerned that due to the inability of processors to collaborate in order to open up the supply chain to expose where there is over and under-supply, then 'dumping' of milk on farm could become a reality.
21. NFUS wishes to highlight that governments must be cognisant of the immediate risks on-farm that will be presented by market failure (in terms of animal welfare and business resilience) should any agricultural commodities be unable to recover cost of production from the marketplace. And in any such situation, for governments to consider direct income support for primary producers.
22. At present, prices for fruit, vegetables (including carrots), potatoes, combinable crops and pork are stable; NFUS is retaining a watching brief on these markets.

#### **Actions Required**

23. **That the UK Government and Scottish Government jointly monitor the red meat market to understand what impacts COVID-19 is having on the supply chain, and ultimately the farmgate price, through the UK Market Monitoring Group.**
24. **That the UK Government and Scottish Government jointly examine retailer and processor dealings in the dairy supply chain with a view to encouraging collaboration and finding new markets for surplus milk.**