

ELIZABETH TRUSS MP

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Rt Hon. Owen Paterson MP
Department of Environment, Food, and Rural Affairs,
Nobel House,
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Monday, 24 September 2012

Owen Paterson

Congratulations on your appointment.

I am writing to alert you to a major issue for the future sustainability of the pig industry. Local biomass subsidies are pushing up the price of straw, used for bedding, which is putting pig farmers out of business. It is a cause of concern that this will cause pig farmers to sacrifice welfare standards, and drive trade to overseas producers.

Pig farming is worth £586,820,000 to the East Anglia economy, excluding all ancillary trade. The total estimated number of direct pig unit employees is over 1000, without considering employment in allied industries i.e transport, feed milling, and pork slaughtering and processing. High-welfare pig breeding in Norfolk, practised by companies like Scotts Field Pork, is becoming more and more expensive as subsidies paid to biomass plants like the one proposed in Snetterton drive up straw prices. I am worried that the tax payer is subsidising an industry which will create an unnatural imbalance in the market place that will ultimately cost the consumer more at the till.

Livestock businesses that employ the equivalent of 3,500 full time equivalent workers and run in excess of 500 farms in Norfolk and Suffolk and approximately 200 in the Breckland District areas are paying up to £100/tonne for straw and are already identifying problems. They utilise 180,000 tonnes of straw approximately per annum. The proposed Snetterton Bio-Mass Plant will consume 240,000 tonnes of fuel per year, (60 % cereal straw, 40 % oil seed rape), which will add to the problem. It is already known that the power station in Ely is having to source straw from other parts of the country up into the East Midlands.

As you can see from the attached graph of British Hay & Straw Merchants' Association data, other than a small peak in 2002 straw and hay prices remained fairly consistent from 2001-2008. In the past three to four years there has been a significant rise: current prices are almost double what

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they were in 2006/2007. This reflects the lack of supply which has forced livestock farmers to 'bid' up the prices.

I met [REDACTED] in July to discuss this and he assured me his department would undertake a joint investigation with DEFRA to examine the effect of the biomass subsidies on straw prices. I would be grateful for an early meeting with you to discuss this. This issue is an opportunity to save taxpayers' money and help Britain.

Elizabeth Truss MP



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 December 2012

From David Heath CBE MP
Minister of State for Agriculture and Food


Thank you for your letter of 24 September to the Secretary of State about the impact of rising straw costs on the UK pig industry. I am replying as the Minister responsible for this policy area and am sorry for the delay in doing so.

Bioenergy is expected to play a key role in meeting the Government's legally binding commitment under the Renewable Energy Directive to generate 15% of the UK's energy from renewable sources by 2020. It will also help in meeting our carbon reduction targets. Excluding biomass from the energy mix would significantly increase the cost of decarbonising our energy system.

Straw is one of the many different types of biomass fuels that can be used by power stations but we do recognise that it has other valuable uses apart from energy generation. We are keen that potential impacts on non-energy sectors are addressed and managed. DECC is working with Defra and other Government Departments, advisory and delivery bodies, and industry and environmental stakeholders, to draw up a Bioenergy Strategy. This aims to set out a strategic framework for the use of bioenergy in order to achieve the cost effective delivery of our 2020 goals in a way that is consistent with other objectives across the economy and longer term carbon reduction ambitions to 2050. Among the issues that will be looked at are the consideration of the impacts of using biomass for energy against alternative uses and the potential impact on food and food production. We are aiming to publish the Strategy in the spring.

I understand the difficulties that pig farmers are currently encountering with rising input costs. I appreciate the importance of pig farming to the East Anglia economy, and the country as a whole, and am aware of the particular concerns that livestock farmers have about the potential availability and cost of straw.

Defra's priority is to support British farming and encourage sustainable food production. We are committed to supporting pig farmers as they continue to build on progress made by the Pig Meat Task Force on improving relations between farmers and retailers. We are also working with Member States in Europe and the industry to

find ways to improve the situation for producers in the long term through discussions in the Commission's Enlarged Pig Meat Advisory Group.

Whilst straw represents a relatively minor proportion of pig production costs, at a time when margins are already very tight, it is an added concern for farmers. Of course, straw is not essential for pig production but I appreciate that some producers prefer to use straw on the basis that it is more difficult to source alternatives for bedding.

The price for straw is highly variable dependent upon location, and local supply and demand. Arable farmers make decisions on whether to bale or sell straw, or cut it for incorporation back into the soil, based on the economics. I understand that generally a lower proportion of straw in the eastern counties is baled compared to the north and west of the country. Much straw is indeed ploughed back into the soil. This could of course provide an alternative source of straw if demand increases. Those pig farmers who prefer to use straw for bedding may wish to consider entering into contracts with arable farmers to ensure adequate supplies are available and manage potential risks.

Latest prices for hay and straw show that prices have decreased in the last couple of months and that they are lower than the equivalent months in 2011. These prices can be found on the Defra website at:

<http://www.defra.gov.uk/statistics/foodfarm/farmgate/commodity/>

Latest estimates suggest that after two years of below average performance, straw yields have recovered in 2012 and I am pleased to report that the NFU have agreed to carry out some analyses into the factors affecting straw prices and are in contact with officials in Defra. I will ensure that they keep you informed of progress.




DAVID HEATH CBE MP

Background

Liz Truss has written expressing concern about the impact which biomass energy demand is having on straw prices for local farmers, in particular pig farmers, and the availability of land for food production.

[How much straw is produced in the UK?

What has happened to straw prices nationally, what is driving them, how much is biomass demand to blame nationally?

Is there evidence of localised price increases near straw burning plants?

What is the scope and timetable for the NFU report?]

She met [REDACTED] earlier in the year. He said that if the pig producers were able to pull together some evidence of adverse impacts, DECC would look at it. In correspondence since, DECC have said: "I am happy to reiterate [REDACTED] offer to have officials look at any evidence you may be able to collate that the use of straw for bioenergy is impacting regional straw prices. Usefully, though, I understand that the NFU has agreed to look into this matter. Given their direct contact with the farming community, I would suggest that they are best placed to pull together the type of detailed regional information that is necessary. The NFU are in contact with Defra officials on this matter, who, in turn are in contact with mine. I will ensure that you are kept abreast of progress in this matter."

Recent Norfolk activity:

On 10 January, the 40MW straw and waste wood plant for Thetford, Norfolk was refused planning permission.

In April, residents of Feltwell, Norfolk voted against plans for the parish to lease land to REG Bio-Power Ltd for the building of a biofuel power plant, based on used cooking oil. Turnout for the poll was 30 per cent, of which 75% were opposed. The parish poll was called for after 650 people signed a petition against plans to lease land to REG Bio-Power UK Ltd off Old Brandon Road. A planning application for the land was entered by REG Bio earlier this year, but has now been withdrawn.

On 11 June, Icen's 40MW straw plant for Snetterton Norfolk was granted planning permission. Icen said their scheme is expected to create 80 permanent jobs. The project is supported by Breckland Council's economic development team, in part because it will increase development potential in an area where electricity grid connections are currently poor through provision of a substation.

BRIEFING ON USE OF STRAW FOR BIOMASS FOR MEETING WITH LIZ TRUSS MP

Points to make

- There are divergent views amongst farmers over bioenergy, with some seeing significant opportunities while others see threats. For example, livestock farmers are installing anaerobic digestion (AD) plants in response to energy incentives. Cereal farmers are benefiting from increased demand for a wide range of crop residues and for perennial energy crops on lower quality farmland. Cereal farmers are already supplying straw as an energy feedstock under contract, or are negotiating to do so in the future. These farmers would be likely to resist strongly any proposals to reduce energy subsidies for straw.
- The NFU are doing analysis on the impacts of increased demand for straw for energy and we will need to take stock in light of that.
- The evidence we have at the moment suggests that there is a surplus of straw nationally, enabling some to be used for energy. Straw for biomass is still a low proportion of total production and is, in the main, located where there is a surplus. Analysis suggests this is not likely to change at current levels of incentive.
- Nationally around 6 million tonnes is used for bedding and feed annually. Around 8 million tonnes is returned to the soil – only some of that is needed for soil condition purposes, the rest is ploughed in because it has not historically been worth baling.
- Prices will be dictated by a host of factors affecting availability, including the weather.
- The Government proposes a cautious approach to new dedicated biomass power, which includes a cap on the number of plants without CHP. As a result, we don't anticipate a significant expansion of straw-fuelled plant.

Quick read out from the SoS meeting with Liz Truss this evening:

Focus of the meeting was the use of biomass in AD plants. LT noted the high quantity of applications she was seeing in her constituency. These are using straw and oil seed rape. There is a knock on effect on the price of straw which will impact dairy and pig farmers. LT believes the high use of straw in AD is a result of high subsidy.

SoS explained his support for AD as means to turn waste to energy (e.g. farm slurry). Some crops may be needed in the process –but he did not support AD based entirely on crops. SoS explained that Defra will be carrying out a project examining the impacts of energy on the rural economy and environment; AD would be included. Also explained that this will feed into the wider DECC review on renewable. But he also suggested that LT should be speaking to DECC and HMT Ministers about her concerns on subsidy levels.

LT asked if she could mention the study to her local press. SoS said yes, on basis that he had already spoken about the study at the Conservative Conference [I have asked her Parly Office for sight of draft press lines before they are deployed].

LT then spoke about sugar quotas. She has been approached by British Sugar who are concerned by the phasing out of quotas. SoS was robust in explaining his support for the current EU position of phasing out subsidies by 2015. British producers should be able to remain competitive by improving efficiency. But he notes the FR/DE attempts to extend the timeframe to 2020 and the risk of being outvoted in Council.

Finally LT mentioned the Kings Lynn incinerator. The SoS explained this was a planning matter. LT will be speaking to Eric Pickles.

[REDACTED]

[REDACTED]

[REDACTED]

Deputy PPS and SPS to the Secretary of State

Defra

[REDACTED]

[REDACTED]

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