



## The Commercial Farmers Group response to Professor Dieter Helm's paper "British Agricultural Policy after BREXIT" (Natural Capital Network – Paper 5)

*Professor Dieter Helm [published a paper on 1 September 2016](#) reviewing the CAP and its legacy, and after also investigating technical progress and the tensions between intensive food production and the environment, outlined a number of post-Brexit options. Here, the Commercial Farmers Group reviews Professor Helm's paper and his recommendations.*

In his recently published The Commercial Farmers Group (CFG) acknowledge much of Professor Helm's points are intelligently argued and a helpful contribution to the debate on agricultural policy after Brexit. It concentrates on the record of the Common Agricultural Policy in terms of achieving its aims and suggests how policy might be improved.

However, the CFG has grave concerns over many other points which fundamentally misunderstand how the industry, rural communities and the food chain operate.

1. **"The wider industry does not greatly depend on home production"** – whilst accepting that the retail sector would not change markedly if we imported the majority of our food, the suppliers of goods and services to the Agricultural and Food Industries and the packing and processing sector of the food supply chain would definitely suffer and consequently employment in and the economic viability of rural areas.

2. **"A much more economically efficient (and therefore environmentally efficient) outcome"** – Professor Helm is referring to the cost of support being removed from the equivalent of Pillar 1 and the released production support being put into a better-targeted environmental support programme. The CFG agrees with this but would disagree with the way Professor Helm perceives this could be achieved.

3. **Criticism often made of the CAP** – The CAP was a social policy and arguably with all its distortions has achieved its stated objective of affordable food, keeping employment in rural areas and maintaining a standard of living for those who manage the land. The way land is managed and the biodiversity on that land have both changed over time and will continue to do so. There is a pressing requirement to address the issues resulting from modern technology but that technology has been very positive in terms of maintaining food supplies and keeping the cost of food lower. Within this there is an assertion that small farms are environmentally more positive – this is not inherently correct, and can be easily refuted by the Environment Agency and organisations such as LEAF. Conversely, large scale farming often has the economies of scale that allows investment in more benign technology and 'land sparing' techniques.

4. **"Less subsidy means lower land values"** – This would undoubtedly be the case initially if subsidy is reduced or removed but experience in New Zealand would indicate that after a period of readjustment land values have returned to historically high levels. There are other factors which maintain the value of land over and above commercial farming, such as investment opportunity and tax relief.

5. **“Consumers, through significantly higher food bills, paid for all of this”** – The proportion of household income spent on food and drink is at a very much lower level than it has been historically; this suggests that food production has become relatively more efficient.

6. **A policy “to help stabilise farm revenues in the face of volatile market prices, unpredictable weather conditions and variable input costs”** – Apart from New Zealand, all developed countries have some form of support; the question is which form best suits the UK after Brexit. If support is removed over time and the UK wishes to maintain an element of self-sufficiency in indigenous foods, UK farming needs to be internationally competitive and have a scale that will allow it to be resilient. This can be evidenced by, for example, New Zealand having the largest average dairy herd size in the developed world.

7. **“The private costs of farming do not reflect the full social costs”** – There is truth in this but it must be recognised this is not a result of illegal farming practice, and that improvements in farming are often understated, such as welcome changes in practice eg, use of cover crops and reduced tillage techniques. The UK should not be importing food when the result is the export of its environmental issues to other countries. There is much we can do in the UK to reduce the negative “footprint” of food production and this would allow developing countries to utilise such new less damaging techniques.

8. **“The ‘cross compliance’ condition...is however weak, and largely unenforced”** – Professor Helm has clearly not had an inspection! Much of cross compliance but not all should remain in any future policy. As a general point the environmental element of present CAP payments is 30% but the present system is not well targeted and could be much improved.

9. **“Farmers receive free advice on everything from medicines and drugs to farming practices”** – That has not been the case since the 1980s. However, as Professor Helm points out, farmers do receive significant concessions. These concessions are a more efficient way of helping farming. He also infers that the concessions and the subsidy received have led to overproduction – despite our self-sufficiency being approximately 60% and that, apart from cereals and sheep, we are deficient in most products. To construct a policy there needs to be a discussion about what degree of self-sufficiency is required, acknowledging that a further reduction in self-sufficiency could damage the UK balance of payments, exploit environments in other countries and increase risks to our food supply in a volatile world.

10. **“The agricultural sector is very far from efficient”** – The UK has farmers who would be competitive in a global context but subsidy has allowed less efficient farmers to remain, and thus the gap between the most and least efficient has widened. It is also clear that the UK has lost out to many of its developed world competitors because of changes in the way Research and Development has been structured in the UK since the mid 1980s. This will need to change if Pillar 1 subsidies are removed over time, or larger-scale farm business will need to be allowed and indeed encouraged as they will be able to carry out their own applied research.

11. **Understanding agriculture and its developments: the inherent conflict between maximising production and the environment** – Professor Helm suggests farmers are “stewards of the land” and therefore have a special responsibility to protect and enhance the environment. Farmers are, and most recognise that special responsibility. At the same time, technological advance will not stop and nor should it. The challenge is to design incentives/ support mechanisms that allow the use of benign technologies whilst minimising pressure on the environment. Essentially, commercial agriculture can be expressed as “one long fight against nature.” If that is the case and we believe farming should be commercially

competitive, it needs to be decided how much land to use for commercial output and how much for biodiversity. The area for commercial output needs to be farmed in such a way that it will be productive for future generations and to achieve biodiversity on the residual land does require intelligent management and involves cost. Success should not be measured on the basis of past records.

## **The Options**

Professor Helm gives us three future options, advocating the third: public money for public goods directly contracted through public bodies.

Experience should indicate that this could prove an expensive and inefficient route. Public bodies have been poor contractors, with high administration costs, inefficient selection of contractors and poor contractor management. There is a very good argument that the most efficient managers are professional land managers and if those managers have a financial interest in the capital they manage, generally that enhances their interest in the future use of that land. The time honoured adage of farmers wishing to pass on the land they have farmed in at least as good an order as at the time they took on the land remains true.

It may be that decisions will be taken to increase the area of UK land that is managed for biodiversity and in part take away the responsibility for that land from farmers. For example, river catchments could be an example of an area best managed from an overall perspective with the relevant farmers as contractors of at least part of the catchment. This would need thinking through very carefully, particularly as catchments would generally cover much bigger areas than county or LEP boundaries.

Professor Helm is correct to point out that rewilding is usually neither efficient in terms of environmental biodiversity nor social access. Is it not our managed landscape that people appreciate and enjoy, and over time farmers have effectively created and managed that landscape? And have country sports and recreation on our less productive land not been hugely beneficial for relevant local rural communities?

## **Conclusion**

The Commercial Farmers Group differs from the NFU in recognising that over a period of time, Pillar 1 payments or their equivalent should be reduced. However we do believe that it is sensible to have a degree of self-sufficiency and that as a nation we should decide what that level should be.

21 October 2016