

Agricultural break point

11 October 2018

With UK agriculture facing many disruptions, including Brexit, Estate Director at Clinton Devon Estates John Varley considers how emerging trends may shape land-based rural businesses over the next few years

It is clear that we are at an agricultural break point, potentially on a scale not seen since at least the 1970s: for the first time in more than 40 years, the UK government has an opportunity to take control of agricultural policy.

However, while most commentators are focusing on Brexit, there are other connected disruptors that may shape the future for those who own and manage land-based businesses:

- consumers, markets and trade;
- competitiveness and productivity;
- rural economy priorities; and
- environmental awareness.

Consumers, markets and trade

Consumers have always wanted inexpensive, high-quality and safe food, and they now have more information about it at their fingertips. They more than governments have the power to change industries, as can be seen in the retail sector with the successful pressuring of [Primark](#) to think harder about conditions in its factories in Asia. Social media and connectivity are also driving shifts in consumer thinking and behaviour; my youngest daughter is 18 and has been a committed vegan since watching the documentary [Cowspiracy](#) , for instance.

Over the past 50 years or so, spending on food has fallen from around 40% to 11% of household income. For some, though, 11% is still too high, and [Policy Exchange](#) , a right-wing think tank, claims that UK food prices remain higher than in a pure market. There is emerging opinion that a significant cause of perceived higher prices has been the combination of tariffs and agricultural support, increasing costs and subsidising inefficient methods of production.

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But some fear that lower prices will come at the expense of lowering standards. In the EU, the [European Food Standards Agency](#) has adopted an approach based on the precautionary principle, leading to a divergence between producers in and outside the union; for example, the EU bans certain products which are permitted elsewhere such as:

- chlorinated chicken;

- genetic modification; and
- hormone-treated beef.

There is pressure for the UK to adopt a more objective, evidence-led and scientific approach to food standards once it leaves the EU, though this may bring both opportunity and risk. What we should expect is much more transparency and accreditation to help consumers make informed choices. The [Red Tractor](#) scheme already looks at slurry capacity on dairy farms and there is talk of Green Tractor labelling for wider environmental outcomes. But is this enough?

At [Clinton Devon Estates](#) , we are funding research to understand and reduce the environmental impacts of our business, including monitoring the links between our farming practices and water quality downstream, with a view to making the data available publicly. We take our responsibilities not to pollute water very seriously, and know that society increasingly expects such a protective approach to the environment.

Competition and productivity

In 2015/16, more than half of the UK's farms earned less than £20,000, and 42% made no profit at all; income per worker remains only £19,000 a year. These statistics would make most investors who are not looking for tax breaks steer well clear.

Total income from UK farming is £3.6bn, including subsidies of £3.1bn or 87%. The existing financial model for agriculture does not appear robust and neither does it offer confidence for the future – especially if direct subsidies will be reduced and the outcome of discussions over new international trade agreements remains uncertain.

British farmers used to be among the most productive in the world, especially in the 1970s. In recent decades, however, productivity has stagnated and is now below that of numerous other countries and many farms today are not sustainable without substantial subsidy. Managing the withdrawal of farming support is therefore going to be central for the new domestic policy. The goal should be to create a highly productive, dynamic farming sector that is more specialised and capable of competing in global markets.

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The low productivity of UK agriculture cannot be blamed entirely on the [EU's Common Agricultural Policy](#) (CAP): other member states have seen better performance, despite the negative influences of the regime. Cuts to investment in research and development, high land prices, energy costs and an ageing and non-specialist workforce have all had an impact. As a sector, we need to demonstrate active leadership in addressing these issues. Technology, skills, new business models and innovation will surely have a role to play.

We need to establish the next generation of farming leaders, with succession based on merit and entrants encouraged from new backgrounds. The median age of farmers is 59, compared to 40 in the workforce as a whole. But bringing young people into farming is not straightforward, due to:

- the high cost of buying or renting land;

- expensive rural housing; and
- poor career paths.

An irony of one of the core objectives of the CAP, 'the creation and maintenance of employment', is that UK employment in agriculture has fallen dramatically, from more than 3% of the workforce in 1960 to just above 1% today.

Subsidies allow investment in mechanisation, substituting capital for labour. CAP support proportionately benefits larger farms, which grow more rapidly than smaller ones. Since 2005 the number of smaller farms has shrunk, with the average size of holdings rising from 69ha to 80ha. As technology and machinery get more expensive, there is pressure on the larger farms to grow and spread costs. The smaller farms, on marginal land, may have neither the capital nor the opportunity to take on more land. CAP support is in many cases the only driver of on-farm investment. Without the policy or a new business model, the consequences for farm viability, or improved performance, may be bleak.

There is nevertheless an opportunity to evolve new forms of collaboration between farming enterprises and different types of ownership, landlords and tenants and non-farming enterprises to drive benefits and investment in skills and capital. At Clinton Devon, we have commissioned a legal opinion on a concept referred to as a 'cooperative contracting agreement', where a landlord and one or more tenants form an LLP, or similar, to establish a new kind of business partnership.

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The industry should be benchmarking itself against not just the most efficient farming enterprises globally but also against other industries, being the best in class for procurement, business processes, human resources, skills and financing. We need to upskill and ensure that farmers have the knowledge to make more informed decisions, increasing productivity and competitiveness. We also need to focus on health, safety and well-being: agriculture is in the spotlight for its woeful record in serious work-related injury, fatalities and mental health. The opportunity to change work practices also applies to animal health, in which the UK is a leader, although there is much more to do. We need to embed animal health along with workplace safety in our business-as-usual practices. This should be a unique selling point, a clear example of the high standards for which we strive that can be used to differentiate our products.

As business leaders, we should be commissioning research and development and knowledge transfer, providing the tools to help farming enterprises make the transition to new business models and developing centres of academic excellence. Our local colleges and universities should be rising to the challenge, reinventing themselves to be ready to support future industry models with science and evidence rather than unguided research or courses, pointing the most able students to careers in agriculture – careers in a globally competitive business that exploits emerging technology, artificial intelligence and science.

Qualifications and licensed training must also become prerequisites for some agricultural roles, perhaps leading to the introduction of the chartered farmer.

Rural economy priorities

There are obvious synergies between agriculture and rural economies. But agriculture is no longer the biggest employer, and in terms of gross value added (GVA), agriculture, forestry and fishing combined represent just 2% of the overall rural economy and 0.55% nationally. Is GVA the right measure?

My experience is that, in Devon, policymakers have undervalued agriculture's contribution to the local economy. After the 2001 foot-and-mouth disease outbreak, our estate struggled to get the then South West of England Regional Development Agency to take seriously the need to support land-based business in the recovery. There was a level of ignorance then, and even now some local enterprise partnerships and local authorities view agriculture and forestry as something other than a real business; their plans need to:

- recognise the value of land-based business to the economy;
- support joined-up strategies to attract investment; and
- develop the skills required to sustain and grow successful farming and forestry enterprises.

Valuing natural capital is gaining traction, which is potentially a big disruptor in both policy and market terms. The challenge is how value can be generated from the natural capital that farmers in rural areas provide, including the value created from:

- food and fibre production;
- renewable energy generation;
- wildlife;
- air pollution removal;
- waste water cleaning;
- flood protection; and
- education.

The value of day trips alone to the natural environment is estimated to be £6.5bn, not far below the entire GVA of agriculture. Many of these visits are to experience an environment delivered by farmers – so will farmers get paid for it?

Environmental awareness

Agriculture dominates land use in the UK. Farmers, foresters and land managers can shape the environmental costs and benefits resulting from their work and make a huge difference to the value and quality of this country's natural capital. The challenge is to decouple agricultural production from environmental degradation, so that agriculture can continue to meet increasing demand for food without putting undue pressure on natural resources.

Agriculture's contribution of 0.55% of UK GVA contrasts with its generation of 10% of total greenhouse gas emissions. Other significant environmental impacts from UK agriculture are associated with:

- water pollution;
- air pollution;
- soil degradation; and
- harm to biodiversity.

Indeed, in 2017 agriculture became England's number one polluter of water.

The costs to society of cleaning up these impacts are huge and are met by taxpayers

by, for instance, an extra ?100m on water bills, and the government is looking to reform agricultural policy after Brexit to reduce these. Soil degradation is already in the spotlight, with an estimated 2.2m tonnes of soil eroded each year in UK catchments, costing ?1bn.

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At Clinton Devon, we are working with the local catchment partnership to install sediment traps, monitor outcomes and host farm visits. It is widely argued that there has been a decline in on-farm biodiversity as a result of increasingly homogenous landscapes. While entering Mid-Tier Stewardship, Clinton Devon farms are using its options to complement and support our own nature improvement strategy and optimise outcomes for wildlife. Our recent management contract with [Velcourt](#) to run the in-hand organic dairy is novel in that, as well as agreeing financial performance targets, we have included development of goals for:

- biodiversity;
- the environment;
- animal health; and
- employee satisfaction.

We have also just let a farm not for the highest rent but on a balanced scorecard of financial return and alignment of objectives for cirl buntings, improved soil quality and education. We have also invested in comprehensive soil and bird and butterfly surveys to benchmark agreed targets over the course of our partnership with the tenant. This is now our model for all new tenancies, and we are undertaking soil analysis on some already tenanted land to identify improvements as well.

We need to understand what we are stewards of today by commissioning audits and working on a landscape or catchment scale across farm boundaries, to be ready to provide what society wants. In 2016, at Clinton Devon, we undertook a comprehensive audit of 3,108 species across the [Pebblebed Heaths](#) Site of Special Scientific Interest. We now have baseline evidence to improve future conservation management. Recently, we published our *Wildlife prospectus ? Space for nature*, which identified all the important areas for biodiversity across the estate, along with our key partnership projects. From this we have developed 13 priorities for action that we are discussing with our farm tenants, commercial partners and stakeholders, with a view to implementing integrated, landscape-scale conservation improvement schemes.

Opportunity

These four areas of disruption present a once-in-a-generation opportunity for reform and putting agriculture and land-based businesses back into the heart of the rural economy where they belong. Many feel it is our collective role to challenge the policymakers and politicians to own the problem on behalf of farmers by ensuring continuity and stability. But isn't it our role to question our own business models and transform them to be fit for the future?

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Further information

- Related competencies include [Agriculture](#)
- This feature is taken from the [RICS Land journal](#) (October/November 2018)
- Related categories: [Agricultural and rural property](#) , [Contaminated land](#) , [Environmental impact assessment](#) , [Environmental management and policy](#) , [Rural estates and farms](#)