British agriculture faces worst crisis since 1930s

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The past months have been dominated by reports of a growing crisis in British agriculture and mounting protests by farmers. Agriculture is facing its worst crisis since the 1930s, according to government ministers and farmers' leaders.

A crisis of overproduction, collapsing livestock prices and a strong pound have been exacerbated by plans to restructure agriculture as part of the preparation for the World Trade Organisation (WTO) talks beginning next month. WTO members have already agreed to start negotiations on agriculture by January 2000, with the aim of achieving “substantial progressive reductions in support and protection”.

In the last weeks there have been demonstrations and other actions by sheep, cattle and pig farmers to draw attention to the collapse in prices. Over 2,000 farmers lobbied the Labour Party conference last month to demand more government aid, and for consumers to “Buy British”.

Arable farmers now earn less from their crops than they spend on producing them, except for wheat produced on large-scale farms in East Anglia, England. The price of lamb has fallen by almost 30 percent since July last year, while prices for the majority of other produce, including milk, pigs and poultry, remain below the cost of production. Pig farmers are selling animals for slaughter at 40 percent less than two years ago.

Hill farmers with no other income now have average annual earnings of £5,360 (US$9,300). The Royal Agricultural Benevolent Institution, which can award grants to struggling farmers, has seen a 1,000 percent increase in calls for help since 1998, compared to 1994-97. They are now awarding £10,000 a month to 200 working farmers, as compared to £8,000 in the period 1994-97. In research carried out before the BSE (“mad cow” disease) crisis, the mental health charity Rural Minds found that one farmer a week was committing suicide. Farmers are twice as likely to kill themselves compared with others of the same age.

There are currently just 615,000 employed in British farming, though 3 million are dependent on it. Agriculture contributes over £50 billion to the UK economy. Since 1973, the productivity of the agricultural industry in the UK has increased by over 40 percent. Increases in labour productivity have been the key factor driving this growth, which since 1973 has more than doubled. However, productivity gains in the UK have been smaller than those in the rest of the European Union (EU). The main reason given for the faster productivity increases elsewhere in the EU is that the number of farmers has declined rapidly in Italy, France, Portugal, Spain, Greece and Germany—the countries with the largest labour input.

Following the Common Agricultural Policy reforms in 1993, and the introduction of more extensive production controls, there has been a marked reduction in the rate of productivity gains in the UK. This was in line with that in the EU as a whole, however, once an allowance was made for the BSE crisis.

Whilst the value of agriculture's direct contribution to GDP has been falling, other sectors of the economy have been growing in real terms. The result is that as a percentage share, agriculture shows a fall from 3 percent of GDP in 1973 to just 1 percent today. The underlying trends in consumer demand and the increased use of technology that have driven this fall can be expected to continue in the future.

The increase in productivity since 1973 is explained by an increase in output, without a commensurate increase in inputs including capital and labour. In the same period, the number of farm employees has fallen by 42 percent. The restructuring of agriculture has resulted in a general shift toward larger enterprises in order to exploit economies of scale, together with an increasing role for smaller, part-time farms, a more efficient utilisation of labour, adoption of new business arrangements and diversification both on and off the farm. Farm enterprises have become larger and more specialised, especially in relation to livestock.

Since the early 1980s there has been a shift in the composition of the labour force, with part-time workers rising from 25 percent to nearly 40 percent of the total. Alongside this has been the growth in share farming and contract farming. Agriculture is now only a major direct employer in a small number of areas in the UK, principally in parts of Wales, Northern Ireland, the Western Isles, the Borders and Highlands of Scotland, and the South West and North East of England. Consequently, the numbers working in farming as a percentage of the total workforce is much higher in Wales and Northern Ireland, at over 50 percent. Many of those involved in farming are becoming less reliant upon a conventional agricultural income. It is this diversification which the government is encouraging, as well as the establishment of farm amalgamation to increase the number of large farms. Family concerns without other sources of income will not survive.

The Agenda 2000 Common Agricultural Policy reforms agreed at the European Summit in Berlin cut the system of support for European producers of cereals, beef, dairy, tobacco and olive oil. They established the financial framework for the EU from the year 2000 to 2006, while at the same time creating conditions for acceptance into the EU of a number of eastern European countries with relatively large agricultural sectors, such as Poland. The cuts include reduced payment for cereals, oilseeds and linseed; the reduction of direct payments to farmers to compensate for loss of income; a reduction of the rate paid for "set aside" (land left fallow) and a requirement to practice "appropriate environmental measures". EU member states are also required to draw up seven-year rural development plans beginning in January 2000.

National governments have some discretion regarding how to implement these cuts; to this end, the British government has issued a consultative document, "A New Direction for Agriculture." The Ministry of Agriculture, Fisheries and Food (MAFF) has issued two working papers, in order that a new strategy can be agreed upon for the coming WTO negotiations. The government maintains that overproduction is the main cause of the crisis within British agriculture and that new ways have to be found to overcome the previous practice of paying huge subsidies.

The government has made clear its support for the Agenda 2000 proposals to cut farm prices and compensate farmers through direct payments. They argue that the price cuts should have gone further in some cases, and that compensation payments should be time-limited and declining in value. Pressure from the powerful farming lobby did manage to secure a £500 million (US$834 million) aid package for hill and cattle farmers. In addition, the government is to introduce a new scheme to help raise the record-low lamb prices. They will pay abattoirs to freeze and store meat for up to seven months to keep it off the market. The scheme will only apply to ewes that are fetching as little as £2 each, and allows for the freezing of 2,350 tonnes of British lamb.

While these measures may benefit small farmers in the short term, the real winners will be the giant agribusinesses, which have most to gain from restructuring. The government proposals openly state that it is "likely that in most areas of the UK, the number of small farms would decline". The protectionist measures that have been in place for the last 40 years have always benefited the largest farms, at the expense of small farmers and all working people. Current levels of subsidy to UK agriculture are substantial, over £5 billion in 1997. Workers have paid the price for this, through taxes and food prices well above world market levels. Britain now has the highest food costs in Europe. The multibillion supermarket chains, along with the large food producers, have maintained their higher prices even in the face of the slump in the meat markets.