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Government delivers another blow to beef and dairy farmers in England

“The Government is hammering the last nails in the coffins of the most efficient beef and dairy farmers with its decision today to opt for a ‘progressive hybrid’ of single farm payments,” warns Mark Hudson, President of the Country Land and Business Association.

“The CLA welcomes decoupling as a brave step forward, more in tune with what society wants from the countryside. From an early stage we saw the sense in including a regionalised payment system from the outset, as Margaret Beckett has proposed. The CLA has long argued for a long-term rural policy and we are delighted that Government has listened. But equally, we have warned that crops and animals must be treated differently, which the Government’s option fails to do.

“DEFRA has not sufficiently justified this solution, and has yet to sell it to the European Commission. Their decision may create the conditions for a chaotic market in entitlement swaps over the next two years. Entitlements are tradable without land, but the opportunity to trade will tail off rapidly under this hybrid, stimulating an early frenzy of subsidy chasing.

“The Government has also missed an opportunity to do justice to the most dynamic parts of the industry, farms in transition, and to the nation’s vegetable producers. Worst of all, despite clear warnings from an independent study of the dairy sector, this decision is going to dramatically reduce support for the largest and most efficient dairy and beef farmers.

“The ‘progressive hybrid’ will unfairly share dairy farmers’ compensation across all land, and this will be the last straw for dairy farmers already reeling from European dairy reforms. Today’s decision will profoundly damage the ability of English dairy and beef farmers to compete fairly with their neighbours in Wales, Scotland, Ireland, France and the Netherlands.

“However, we welcome the full eight year adjustment period offered, and it is right to avoid undue redistribution with the severely disadvantaged areas. It is also right to drop the crude national envelope, which was a poorly conceived mechanism that has been overtaken by today’s decision. Nevertheless, there remain a very large number of issues to be dealt with, as the implementing regulations are published.”

The “Mid Term Review” of the Common Agricultural Policy has produced a hugely significant change in agricultural policy, including full decoupling of direct payments, reform of the milk sector, introduction of meaningful cross compliance across all eligible farmland, significant transfers from production support to wider environmental and rural development, strengthening pillar 2 by both unilateral UK modulation (fund switching, as recommended by Curry) plus new Europe-wide modulation, and an Entry Level Stewardship scheme

While the CLA regards this as a significant achievement, we have argued for a hybrid that delivers the wider benefits of RAP on arable land, where reform has progressed since 1982, and farmers are better placed to deal with it, but which retains 90% of the existing (so far largely unreformed) livestock payments on a historic basis was the right approach.

The complexity of DEFRA's decision to take transitional steps to a full RAP brings with it significant additional complications in transitional arrangements for payment transfer, set-aside, and treatment of negative list crops. We are deeply concerned that growers of unsupported crops in particular may be badly affected, as they will either face restrictions on output or unfair competition from arable farmers, or perhaps both. At the same time, we regard the size of the arable RAP element in the early years as insufficient to dissuade those who may have lost out owing to changes in their farm business from applying to the National Reserve.

DEFRA’s decision will add unacceptably to the difficulties faced by livestock farmers. Wales and Scotland have announced a system that recognises the particular needs of the livestock sector. We fear that in seeking to avoid underperforming in delivery of public goods, DEFRA has undervalued the very large investments that have been made by livestock farmers in quota and fixed equipment, much of it backed by bank lending.

DEFRA has failed to make available any analysis of the huge redistribution that is brought about by the new dynamic policy. A recent study on the future of UK dairy farming by Profs David Colman and David Harvey shows that the industry as a whole may contract from the current 24,896 producers to 17,000 by 2015, and maybe further if dairy farmers act rationally in respect to decoupled farm support, under RAP rather than a historic decision. Effectively, the Secretary of State has announced the long drawn out redundancy of nearly 8000 dairy farmers and an unknown number of beef producers.

We fear that there will be very large and unwarranted increases in payments to low intensity farmers. Whilst we welcome better support for the uplands, it should be recognised that this will come at the cost of many suckler cow, beef and dairy enterprises, who may find themselves driven out of business as a result.
Regrettably, the increase in price that would (under normal market circumstances) accompany a sharp reduction in English milk and beef production is unlikely to be available to English farmers as their competitors in Scotland and Wales will enjoy the support of historic payments, as will many others in the single European Market, and are therefore less likely to reduce production.

We anticipate real difficulties in the letting market. A dynamic changing pattern of support is very difficult to factor into tenancy agreements, where the law precludes frequent rent reviews. There is likely to be a short term scramble for land in the period up to the implementation of the reform, as farmers compete for the land necessary to establish their Entitlements.

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