

# From handouts to the super-rich to a hand-up for small-scale farmers

## Towards a more democratic, ecological and globally fairer agricultural subsidy policy

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In the wake of Brexit our agricultural policy is suddenly up for grabs. Since 1973, the UK farming sector has been shaped by the EU's Common Agricultural Policy (CAP) and its subsidies. CAP's original postwar purpose has long since been played out and there is a broad consensus that it has become a disaster on many fronts.

One of the biggest criticisms is that it hands wealthy landowners millions of pounds from public funds, while smaller farmers receive little or nothing. There have been attempts to bring environmental factors into CAP, but they have been grossly inadequate. As a result, a system of large-scale industrial agriculture is rewarded while small-scale agroecological methods are largely ignored.

Chancellor Phillip Hammond has promised to maintain the current level of subsidies set by the CAP until 2020. But what will they look like after 2020? Given that vested interests and the agribusiness lobby have the ear of government it is likely to lean to the status quo – or perhaps worse, removing all support for farming that's already very hard to sustain on a small scale.

Coming out of the CAP presents the opportunity to consider what a truly progressive subsidy system could look like. Instead of subsidising rich landowners, subsidies could be used to encourage public goods like environmental practices, local markets or community supported agriculture schemes in our food system – while saving £1.1 bn.



### Why other models don't achieve social and environmental aims

#### Why we shouldn't turn CAP into BAP

If we were to simply keep the CAP's level of spending on subsidies it would cost the taxpayer £3.2 billion.

There is a clear disadvantage for small-scale producers under the current subsidy system. In 2015 the top 100 recipients of the current policy received a total of £87.9m in agricultural subsidies. These payments are greater than the amount paid to the bottom 55,119 recipients combined.<sup>2</sup> And under the current policy, farmers who own less

than 5 hectares of land get nothing. This policy has manifested in a very high degree of concentration of land ownership – 0.25% of the population own all of the UK's agricultural land.<sup>3</sup>

Whilst the current policy does encourage some environmental activities like growing hedges and maintaining woodland, the funding available comprises a small proportion of the total. And there is a wide consensus that the current system doesn't do enough to stop the increasing impact that industrial farming has on the natural environment. Especially as the contribution of our agricultural sector to the UK's total greenhouse gas emissions is second only to the energy sector.

Money is urgently needed to encourage farmers to reduce those emissions to effectively zero over the coming decades.

### **The laissez faire model**

Another option on the table is to completely scrap subsidies altogether – something that advocates of the free market are particularly keen on. Many countries in the global south were actually forced to do this through structural adjustment in the 1970s and 1980s with disastrous effects to their domestic farmers. This policy is rare for a country in the global north, and New Zealand held up as an example.

In the 1980s the New Zealand government very suddenly and completely reduced all forms of financial support to the agricultural sector. Farmers had to survive the volatility of the agricultural sector with full exposure to the international market without any safety net. The effect was a polarisation and emptying out of viable small and medium sized farming. The big players were able to compete but others either left farming or scaled down and took other jobs to support continued farming as a side enterprise.<sup>4</sup> Loss of agricultural jobs was exacerbated.<sup>5</sup>

Farming fell completely in the hands of the market and scope for programmes to improve environmental practices were lost. Faced with the drive to cut costs, environmental concerns are always likely to be dropped. In a major evaluation of New Zealand's environment, the Ministry for the Environment noted that over the past two decades nitrogen in land and in rivers has increased by 29 and 12 percent respectively, mostly as a result of farming. In addition problems with soil quality are now affecting the productivity of over 80 percent of all land.<sup>6</sup>

Another argument used by advocates of this model is that it could provide new opportunities for export to the UK (replacing farmers who go out of business) which small-scale farmers in the global south could take advantage of. However firstly it is not clear that such opportunities would arise. In New Zealand, the large-scale intensive farms that survived took up the slack from those who scaled down. When there are export opportunities, it is likely that they will be filled by other large-scale agribusinesses, rather than by small-scale farmers.

### **Subsidising crop insurance: the US model**

A further possibility for agricultural subsidies is government provision of free or reduced cost insurance to farmers so they can be reimbursed for

## **What is the CAP?**

CAP originated in the late 1950s following a decade of postwar food shortages. The UK joined CAP in 1973. The current CAP funds are split into two pillars. Over three quarters of it, £2.4 billion, goes into the first pillar where payments are tied to the area of land above a minimum threshold and so this has the perverse effect of rewarding wealthy individuals with millions of pounds from public funds. The remaining quarter goes to a second pillar funds activities that are classified as rural development. At least 30% of pillar two should be spent on the environment but this is too small to genuinely tackle the huge threats to our environment.

failed harvests or economic losses. This is currently done in the US.

This does nothing to encourage environmentally or socially beneficial farming activities. And again, it is a subsidy that increases in proportion to either production or land area and so tends to over-reward large-scale producers.

## **Public money for public goods: a progressive subsidy policy**

Instead of acting as a handout to the super-rich, our subsidy system could be building a radically new food system from the bottom up.

### **1) Give each active farmer with at least 1 hectare of land a universal payment of £5,000.**

The payment would be conditional on a meaningful active farmer requirement, basic environmental stewardship such as prevention of soil erosion, animal welfare standards and a small number of other minimum standards on a 'do no harm' basis. Over time these standards could be developed to help the UK's agricultural sector transition to sustainability. The amount is slightly higher than most farmers currently receive, and would be a significant redistribution, levelling the playing field. However this would actually save the taxpayer money because far less would go to large landowners. The payment could be reduced if the farmer produces for export. We also propose that new producers should receive a bonus payment of £5,000 in their first year, to encourage new entrants and revitalise the industry.

## **2) Offer grants for medium-scale, regional infrastructure, including processing facilities and local business development programmes.**

This would allow local supply chains to be strengthened and maintained, while supporting new business models and small-scale producers.

## **3) Offer subsidies for the provision of specific public goods.**

Public goods could include environmental benefits around climate change, soil quality, landscape, wildlife and agricultural biodiversity. They could also include social benefits such as job creation and support for small-scale farmers, healthy good food, resilience, democratic accountability and support for local economies.

While the first element above incorporates 'do no harm' standards, this element would be for things that make an active, positive contribution, and would be the largest component of the funds. It could include restoring natural habitats, creating natural flood protection, preserving and passing on skills or knowledge that are important to our heritage, reducing local unemployment or increasing healthy eating, along with many other areas.

Decisions on which public goods to prioritise and how to allocate budget would be devolved to regions to set 10-year frameworks based on local knowledge (subject to some nationally agreed constraints, such as on climate change mitigation) thus also helping to support local democracy.

There are plenty of benefits to this proposal:

- First, over 12,000 holdings of less than five hectares would become eligible for income support payments under this system, creating support for small-scale farmers who are often struggling to survive. More than half of all current recipients of direct payments would receive a higher universal payment so the majority of farmers will be better off. This would help create a renaissance in small-scale farming in Britain and reverse the trend of intensification in the UK farming industry. What's more, new farmers would be encouraged, revitalising the UK farming sector with a potentially large wave of small farmers and local producers. More rural jobs would be created in the economy as new entrants recruit workers to labour on their farms, and pay them properly. Current farms below five hectares will now be able to hire new people. It's also likely to revitalise domestic fruit and vegetable markets.

- The extremely high payments that currently go to the richest farmers would be abolished to make way for a much fairer system. Removing exceptionally large income support payments will also reduce the likelihood that producers in the UK can unfairly compete on the world market - at the expense of producers in the global south.
- The system will boost regional infrastructure and facilities such as processing plants - one of the main barriers that holds back small-scale producers and local supply chains.
- Local democracy would be bolstered as local authorities get more say of which public goods subsidies are directed to in their area.
- And the farming sector will be able to shift to an agroecological model which supports ecological diversity and reduces (possibly reversing) our carbon emissions.

The total cost would be a minimum of £2.1 billion, a cost to the taxpayer that is 33% lower than the status quo. This ensures that a thriving ecology of diverse, ecologically-minded farming enterprises is supported whilst providing more money for other parts of the public sector in the UK - like the NHS.

## **A subsidy model that doesn't harm the global south**

It is important to ensure that a new system of agricultural subsidies in the UK does not have unintended damaging impacts on the global south. This is especially crucial since small-scale producers in those countries feed most of the world's population.

Agricultural subsidies have long been a controversial and politically sensitive area for many in the global south in the context of trade rules. WTO rules allow subsidies (with some restrictions), which are a tool for supporting farmers only realistically available to rich countries who can afford them. At the same time the rules of the WTO and other trade deals ban most import tariffs, which would otherwise be a tool that poor countries could use to support their farmers.

Over the decades, this set up has devastated the lives of farmers around the world. When food commodity prices are low, subsidised farmers are able to survive even when selling their produce at less than the cost of production. Surplus food can be 'dumped' in poor countries which have been forced to open their markets, even at times under the guise of food aid. Local farmers cannot

compete and their livelihoods may be wiped out. Yet when commodity prices rise again, produce is diverted to rich countries where it can be sold for a higher price. The poor country can no longer afford the imports and the local farmers have gone out of business.

As a result of pressure on these issues, the EU's CAP subsidies have been changed to comply with WTO rules and are now judged to be 'minimally trade distorting'. Subsidies have been 'decoupled' from production levels, and almost all export subsidies removed. Yet they remain politically sensitive globally. However it is apparent the removal of subsidies in itself would be unlikely to help small-scale farmers in the global south. A completely free market approach would probably benefit agribusiness and transnational corporations.

More fundamentally, there is also widespread recognition of the importance of supporting domestic agriculture. The majority of food that feeds the world is produced by small-scale farmers and is traded in local, regional and national markets. This is vitally important and must not be undermined by the relatively small proportion of food that is traded globally. In the global south it is important to strengthen these domestic markets which are also the most remunerative for small-scale farmers, and to prioritise this over production for export to societies with vastly different wage levels. Otherwise the desires of richer market will always trump the food needs of the poorer market. Farming, especially small-scale farming, also fills many other roles – providing a basis for economic development, sustaining rural communities and cultural traditions around food as well as many environmental roles.

Farming subsidies have a role to play, in a carefully designed, progressive system. By supporting domestic production, supply chains and markets in the UK, we can reduce the impact of dumped exports in the global south, and support the livelihoods and markets of small-scale farmers in the global south. A subsidy system cannot do all of this alone. It needs to be dovetailed with wider trade rules and aid policies, which are currently driving production towards a large-scale, intensive agribusiness model dependent on expensive technologies, chemicals, poor environmental practices and low wages for employees. We cannot simply use subsidies to correct that model – we need to change it.

## What can you do?

The food sovereignty movement has bold ambitions for our food system and the UK is facing a vital opportunity to develop a British subsidy system that supports small-scale, agroecological and democratic food production in the UK and abroad.

The proposal presented in this briefing could provide a way of achieving a progressive subsidy system that works for farmers, the environment and for the public.

Please send this briefing to your MP. Ask your MP to call on the government to reject the existing CAP system and instead to support a progressive agricultural subsidy policy that is democratic, ecological and globally fairer to farmers from the UK and abroad. Together, we can bring about the biggest positive change to the UK food system.

- 1 Application of ecological principles and practices to agriculture, including organic methods.
- 2 Crispin Dowler and Lawrence Carter, "Common Agricultural Policy: Rich list receive millions in EU subsidies". Energydesk, 29 Sept 2016. Available at <http://energydesk.greenpeace.org/2016/09/29/common-agricultural-policy-millions-eu-subsidies-go-richest-landowners/>
- 3 S. Devlin, T. Dosch, A. Esteban, G. Carpenter, Urgent Recall: Our food system under review. London: NEF, 2014. Available at [http://b3cdn.net/nefoundation/1bfd1f66401d3b5f4b\\_fsm6vjoti.pdf](http://b3cdn.net/nefoundation/1bfd1f66401d3b5f4b_fsm6vjoti.pdf)
- 4 S. Johnsen, "The redefinition of family farming: Agricultural restructuring and farm adjustment in Waihemo, New

Zealand" J. Rural Stud. 20, 419–432 (2004) and J. Ballingall, R. Lattimore, "Farming in New Zealand - The State of Play and Key Issues for the Backbone of the New Zealand Economy." Farm Policy J. 1 (2004)

- 5 A. Rae, C. Nixon, R. Lattimore, "Adjustment to Agricultural Policy Reform - Issues and Lessons from the New Zealand Experience." New Zeal. Trade Consort. Work. Pap. 35 (2004). Available at [http://caps.massey.ac.nz/docs/IATRC\\_paper\\_3\\_03.pdf](http://caps.massey.ac.nz/docs/IATRC_paper_3_03.pdf)
- 6 Ministry for the Environment, Statistics New Zealand, Environment Aotearoa 2015. Available at <http://www.mfe.govt.nz/publications/environmental-reporting/environment-aotearoa-2015>



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Global Justice Now, 66 Offley Road, London SW9 0LS  
t: 020 7820 4900 e: [offleyroad@globaljustice.org.uk](mailto:offleyroad@globaljustice.org.uk) w: [globaljustice.org.uk](http://globaljustice.org.uk)