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A Personal Viewpoint: UK Farming After Brexit

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The first volume of the *Journal of Farm Management* (JFM) was published in 1967, the year the second application by the United Kingdom (UK) to join the European Economic Community (EEC) was vetoed by French President Charles de Gaulle. Having first vetoed the UK's application to join in 1963, de Gaulle was concerned that the UK would not support his vision of a Common Agricultural Policy (CAP); at the time agriculture accounted for 25% of the French economy whereas it only accounted for 4% of the economy in the UK. As de Gaulle noted in his memoirs ''How (else) could we maintain on our territory more than two million farms, three-quarters of which were too small and too poor to be profitable, but on which, nonetheless, nearly one-fifth of the French population live?'' (The UK would eventually join six years later, in 1973).

The last volume of the JFM's successor, the *International Journal of Agricultural Management (IJAM)*, is being published some fifty three years later, as the United Kingdom finally appears set to fully leave the apparatus and structures of the EEC's successor – the European Union (EU) - on 31 December 2020, having 'technically' left on 31 January this year. Thus, for pretty much the entire life of the Journal, the CAP has been the dominant force shaping farm policy, farm enterprise decision making and, ultimately, farm management practices in the UK. Outside of CAP, British agriculture is about to undergo its most significant change in almost a century with a move to a new support system based almost entirely on delivery of public goods and maintaining and enhancing natural capital.

Well, that is the theory at least. The background arguments are well rehearsed: 20th century farm policy – firstly through a UK deficiency payments scheme until the 1970s – and then through CAP's intervention buying scheme until the 1990s – pursued a largely one-dimensional policy of increasing food production at almost any cost. Farmers were paid to rip out hedgerows, drain wetlands and intensify production, and swathes of taxpayer funds were directed to constructing buildings and other farm infrastructure. The environmental or societal consequences of all of this were largely ignored.

Since the 1990s and the gradual 'awakening' in the policy arena (by a raft of stakeholders, society, governments, NGOs and the like) that this 'one dimensional' approach is not sustainable there has been a gradual shift in emphasis of farm policy. Initially this was by 'partial decoupling' of support under Commissioner Ray MacSharry (1992) shifting the emphasis from price support to direct crop and livestock payments; and then 'full decoupling' of support under Commissioner Franz Fischler (2003). This latter reform left the CAP a curious beast – increasingly 'uncommon' and over 80% of farm support being paid to farmers in the form of 'single' or 'basic' payments: to essentially occupy land, adhere to a few minimal legal environmental requirements (so called 'cross compliance'), and draw the area based payment with neither food production or significant environmental obligations attached. To a rational economist the nonsense of this was clear to see – such non-targeted payments typically just capitalised themselves in the land or its occupancy costs – or leaked through the value chain – and the proportion kept by the 'farming business' remained woefully thin. The exact 'purpose' of these decoupled payments was always somewhat a mystery to me (despite a little bit of ''green washing'' of the payments from 2013 onwards) but as so often in the agricultural industry, the forces of inertia beat the forces of change.

Whilst Brexit brings many challenges to the industry – most notably around trade and food standards - it also brings one huge opportunity. There is the opportunity to break free from the nonsense of the archaic CAP and start with a blank sheet of paper: what do we want farmers to do that the market doesn't easily provide – and how should we best pay for that? The term natural capital, which had not entered the vocabulary of most agricultural economists and farm business managers even a decade ago has been thrust into the limelight – how do we pay farmers to maintain and enhance natural capital, or in simple parlance, the value of the soil, air, water and biodiversity of their holdings and landscapes?

A great new dawn was promised. The Government's Vision for a ''Green Brexit'' launched in 2019 talked about innovative delivery mechanisms and payment methodologies for new policies; we could have reverse auctions, payment by results and landscape scale impact schemes. Finally it seemed if we were making a break from the mentalities of the past.

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Yet almost two years later, the great Vision championed by the then Secretary of State Michael Gove seems to be ebbing away. In its necessity to create a scheme which will be 'accessible' to the majority of the 80,000 farming businesses in the UK some simplification was always going to be necessary, but when the middle "tier 2" of the new Environmental Land Management Scheme (ELMS) is described as "continuity stewardship" – already a fairly prescriptive and box ticking scheme which has been around in various iterations since the early 1990s – one has to wonder whether the "entry" tier 1 is going to be little more than a further greenwashed direct payment by another name.

Predictably the topic of payment transition and replacement of farm support fills the column inches of the farming magazines and provides endless fodder for seminars and farmer meetings. Too many in the industry look forlornly at the declining graph of direct farm support after 2021 and have become fixated on the pot of money ("will it still be three billion?") that the industry receives. This of course, completely misses the point – the question should be – how much money should the government need to pay to deliver the natural capital services *that the market won*'t provide. If only the industry had spent as much time talking about the development of markets for environmental services, of climate change mitigation, carbon trading and offsetting and of biodiversity net gain – as it had about how much money the government was going to transfer to them – the debate might have moved a bit further forward. But old habits die hard.

Whilst a sub-set of the industry continues to tail spin about fiscal transfers, or lack thereof, the truly innovative and successful will get on and do what they've always done: innovate and develop their businesses. The market for environmental income streams will likely be many tens of times larger in the medium term than any fiscal transfer by government through ELMS or similar schemes. The opportunities for high welfare, highly sustainable livestock products, for plant-based alternatives, for added value crops, for new and innovative sources of protein (algae, insects, cultured) and for new farming systems (aquaculture, landless agriculture) opens up exciting opportunities for entrepreneurs and risk takers, not to mention the monetisation of environmental services and the development of added value supply chains and ancillary service sector businesses.

The question is – does our industry have the skills and leadership competences to grab hold of these challenges? Sadly, large parts of our industry probably still do not. Perhaps it is time to replace the modules on agricultural policy with ones on entrepreneurship, strategy and innovation in our university and college agriculture curricula – as our industry moves to a new world breaking from the norms of the past. So as the Institute of Agricultural Management looks forward to life beyond IJAM– the need for professional management in agriculture is greater than ever. Communicating management innovations and developments remains central to what we do, albeit it in a new format for the 21st century.

About the author

Carl Atkin has over twenty years management and consulting experience across agricultural supply chains and farming and food businesses with a focus on the CEE-CIS region. He has worked with clients across the whole agribusiness value chain including life science companies and food processors, private and institutional investors and numerous private and corporate farming businesses. He has experience in all aspects of strategic and operational agribusiness management (finance, HR, operations, strategic projects) and leads on strategy and research assignments for Terravost Ltd, an agribusiness management, consultancy and investment business he co-founded in 2010. Carl has a BSc (Hons) in Agriculture and Farm Business Management from Newcastle University (2000), a Postgraduate degree in Business Administration (MBA) (2007) and he has also attended the Agribusiness Executive Education Programme at Harvard Business School. He is a Fellow of the Institute of Agricultural Management (FIAgrM) and former member of the Editorial Committee of the JFM and former Deputy Editor of IJAM.

