

UK AGRICULTURAL POLICY POST CAP

We now have free run to develop a UK agricultural policy and there is no need to build on what has gone before. If we throw the whole mechanism out and start with the blank sheet of paper we should re-examine our fundamental objectives.

1. Cost of food. The majority of the population are consumers and within the constraints imposed by food security and safe food, low food price is likely to be a key objective. This has direct impact on tariff mechanisms and thus return to producers. Producers or consumers may be protected from the full impact by subsidy redirected from wealth creating sectors via taxation, to either the producer or consumer to reduce the impact. This is likely to reduce national wealth by reducing capital availability for those with the highest return on capital but may be a worthwhile cost to ensure food security and food quality.
2. Contribution to global food supply. For its size the UK has an important contribution to make in some agricultural sectors. Nationally we are self-sufficient in basic calories and protein but differences in production cost means that we are not self-sufficient in foods that may be produced in temperate zones. This may change with new technologies or investment. Many support mechanisms mean that resource is wasted. For example, inputs may be artificially high if output prices are kept above the globally traded price raising the cost of use for those that can make better use of them. Similarly quotas usually end up raising the cost of production by preventing expansion as efficiency improves.
3. Protection of the environment. This is the most complex area and requires detailed understanding of risk and return both in the short and long terms. There is also a complex relationship with tourism and viability of rural communities. In practice policy is likely to evolve from the current situation.

There is no absolute point when the objectives can be said to have been achieved and the extent of delivery largely depends on the willingness to fund each aspect. Whatever mechanism is adopted the new policy would be expected to change policy targets and thus level of support required.

Should we:

- a) maintain farming subsidy as at present, relying on other sectors to prop up farming activity?
- b) adjust the support arrangements so it becomes self-funding? For example, while it failed, systems such as intervention had the potential to self-fund since the market was supported by buying when prices were low to resell at a profit when prices rose. Although this system also hinged on tariffs and licences to control imports and exports. However, or in addition, income received from tariffs on imported goods may be used to fund the broader farming system.
- c) remove support altogether applying environmental protection and even enhancement through regulation?

It is likely that a combination of mechanisms would be employed. Option c for example would not prevent depopulation in areas that had high environmental value although where this benefited a tourist population some funding might be possible from a specific tourist tax.

In addition, while we can control to some extent imports under WTO rules we have less say on the acceptability of our agricultural exports

Beyond the top level policy there are a vast number of individual issues that will need specific bureaucracy. For example, the EU has historically assessed the suitability of particular GMs for import. In future do we put in place an assessment body or simply rely on the exporting body to ensure safety? If we allow imports of hormone treated beef what assessments are needed?

Header

We have collected together a group of leading experts to extend our analysis of the policy changes that will impact on agricultural businesses in order to quantify risks, identify opportunities and lobby for a better agricultural policy for the industry.

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