



## Agriculture - Overview

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This note gives an overview of agricultural policy, with links to library notes and other online material. Useful sites include [Defra](#), and the European Union [Commission for Agriculture and Rural Development](#).

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## 1 The Common Agricultural Policy (CAP)

The CAP was devised by the European Economic Community to maintain profitability in agriculture and prevent an exodus from the countryside. It was originally based upon high support prices. Farmers had the option of selling at guaranteed support prices to the Intervention Board. Imports were not allowed below those prices. The system did not fit well with UK agricultural policy, based upon cheap food imports and compensatory payments directly to farmers.

The high prices boosted production, particularly on large commercial farms. The large surpluses could only be disposed of by selling them abroad at heavily subsidised prices. That disrupted international trade and caused increasing problems with the World Trade Organisation. The CAP was reformed several times between 1992 and 2003 to move away from high support prices towards direct payments. Farmers are paid a fixed amount, based on area, rather than a payment linked to the volume or value of their output. Arable farmers were the first to receive direct payments based upon area, followed by livestock farmers in the 2003 reform.

The 2003 reform replaced a range of support schemes, in favour of a Single Farm Payment. Countries could choose how to implement the reform, with England, Scotland, Wales and Northern Ireland each making a different choice. England chose to share out the payments among all landowners or tenants in three large regions. However, an interim solution was adopted for the first eight years, starting from payments at the level in previous years, but moving each year to a higher proportion of payments from the regional average system.

The administration of this complex system proved to be extremely difficult for the Rural Payments Agency, which experienced severe delays in making payments in the first year of the hybrid system. Payments have become much more prompt since then but farmers still have problems with the Agency, including its overpayments followed by sudden claims for repayment.

Some of the payments are only available in England to those participating in an agri-environment programme called [Environmental Stewardship](#), designed by Defra.

In the UK some people expect CAP reform to result in reduced expenditure, but the reverse is normally the case. Farmers are usually overcompensated for changes, so that reform can only take place if spending is at least guaranteed. The 2003 and 2008 reforms were based upon agreement to maintain EU farm spending until at least 2013. In November 2010 the European Commission published preliminary ideas for CAP reform after 2013, followed by more detailed plans in October 2011. A Library note, [Agriculture – CAP Reforms](#) (SN/SC/3680) gives further details.

A library note [Common Agricultural Policy Statistics](#) (SN/SGS/2579) looks at expenditure on the CAP across the EU and particularly in the UK. A general comparison of agriculture in the EU is provided in the library note [EU agriculture: comparative statistics](#) (SN/SG/3703). This provides comparison of the agriculture industry in the UK with other EU member states covering land use, livestock, holdings, employment, output and a number of economic indicators.

## **2 Individual sectors**

### **2.1 Poultry**

Poultry has operated in a highly competitive market on an industrialised basis. Although poultry farmers can receive Single Farm Payment, that is calculated on an area basis, and is not important for poultry farmers using a very small area. Welfare issues are particularly important. Since 1 January 2012 egg producers have no longer been able to use battery cages from 2012 – [Battery Hens](#) (SN/SC/1367). Meat producers keep hens in a completely different manner - [Broiler chickens and poultrymeat](#) (SN/SC1386).

### **2.2 Pigs**

Pigs have also been farmed more industrially, without support payments. Again, animal welfare issues are important with British pig farmers having lost considerable market share to imports when British animal welfare requirements became more stringent than those in the rest of the EU. The problem is unresolved. Stricter EU animal welfare laws for pigs have been agreed, but they will only come fully into force in 2013–[Pigs](#) (SN/SC/1283).

### **2.3 Dairy farmers and bovine TB**

Dairy farmers face particular problems. Milk quotas remain in force, although the 2008 CAP Health Check said they would expire by April 2015 and that remains EU policy. The dairy sector is potentially at risk from any further trade liberalisation. Liquid milk, of course, is not much traded internationally but some cheap sources of cheese and butter are not allowed full access to the EU Market. UK dairy farmers have suffered considerable losses as a result of low milk prices, which some of them blame on the supermarkets – [Milk Prices from 2005](#) (SN/SC/546).

A library note [Dairy Industry UK: statistics](#) (SN/SGS/2721) gives key statistics and current trends for the UK dairy industry. The EFRA Select Committee published a report in July 2011 on [EU Proposals for the Dairy Sector and the Future of the Dairy Industry](#).

Particular problems arise for dairy farmers whose cattle are infected with TB. A library note [Badgers and Bovine TB: Background](#) (SN/SC/3751) provides a background with details of the scientific trials carried out to determine the effectiveness of badger culling which led to the 2008 decision to focus on a vaccine programme instead of culling. Another note – [Badger Culling](#) (SN/SC/5873) - covers the position in 2012, with the Government proposing to carry out limited culling in a pilot area. The Welsh Assembly Government dropped its culling plans in March 2012.

### **2.4 Sheep**

The sheep sector is in decline throughout Europe, partly because of a decline in consumption of sheep meat and partly because wool prices are so low that it is hardly worth shearing the sheep. There are also concerns about the cost and usefulness of electronic tagging of sheep –[Sheep](#) (SN/SC/1116).

### **2.5 Organic farming and food**

Organic farming is supported under the stewardship scheme so that an organic farmer receives an increased Single Farm Payment. However, sales of organic food have fallen during the recession and organic farmers sometimes find the margins for organic produce too small for profitability –[Organic Farming and Food](#) (SN/SC/1203).

A library note [Organic farming and food in the UK: statistics](#) (SN/SG/2835) summarises data on organic farming in the UK, makes comparisons with equivalent data for the EU and looks at some information on sales of organic food.

## **2.6 Sugar**

Sugar was not part of the CAP reform in 2003 or 2008 but it had its own reform in 2005. The traditional scheme supported sugar beet production by paying two or three times the market price. Traditional suppliers of sugar cane, like the West Indies, have been allowed some preferential access. This preferential access has been extended to the 50 poorest countries in the world. However, beneficiaries of that access to a high-price market lost out when the EU reformed its market to bring down prices to somewhere nearer world price level – [Sugar](#) (SN/SC/1277).

## **2.7 Horticulture and orchards**

These sectors were not beneficiaries of the traditional CAP, but the 2003 reform included them in areas eligible for Single Farm Payment. One concern is finding enough labour. That has traditionally been supplied by the Seasonal Agricultural Workers Scheme, but that is now limited to Bulgarian and Romanian nationals and will end in 2013 – [Horticulture and Orchards](#) (SN/SC/897).

## **2.8 Tenant farmers**

Tenant farmers continue to play a large part in British agriculture. Some laws increased security for tenants, reaching security for three generations in the 1970s. Since then the laws have changed allowing landlords to offer less security and to use a new type of farm business tenancy. Current issues include concern that county councils want to sell off tenant farms on which many farmers have started – [Tenant Farmers](#) (SN/SC/1337).

## **2.9 Farm incomes**

Farming had several years of low incomes, but there has been considerable improvement since 2007. One major reason is the weakness of the pound against the euro. Since single farm payment is calculated in euros, its sterling value increases automatically. The Note [Farm Incomes: Trends and Prospects](#) (SN/SC/1040) records forecasts of farm incomes and the major Defra announcements.

## **2.10 Historical statistics**

Consistent statistics on agriculture have been collected for a longer period of time than for many other industries or subject areas. The first proper agricultural census of Great Britain was taken in 1865 and has been carried out annually in June ever since. It still collects much of the same information on crops areas and livestock numbers. A library note [Agriculture: historical statistics](#) (SN/SG/3339) sets out a small number of important indicators of UK agriculture that have been published annually over this time.

# **3 Coalition Government policy**

[The Coalition: Our Programme for Government](#) contains the following commitments on agriculture:

- We will reduce the regulatory burden on farmers by moving to a risk-based system of regulation, and will develop a system of extra support for hill farmers.

- We will investigate ways to share with livestock keepers the responsibility for preparing for and dealing with outbreaks of disease.
- We will take forward the Marine and Coastal Access Act and ensure that its conservation measures are implemented effectively.
- As part of a package of measures, we will introduce a carefully managed and science-led policy of badger control in areas with high and persistent levels of bovine tuberculosis.
- We will promote high standards of farm animal welfare. We will end the testing of household products on animals and work to reduce the use of animals in scientific research. We will promote responsible pet ownership by introducing effective codes of practice under the Animal Welfare Act, and will ensure that enforcement agencies target irresponsible owners of dangerous dogs.
- We will ensure that food procured by government departments, and eventually the whole public sector, meets British standards of production wherever this can be achieved without increasing overall cost.
- We will investigate measures to help with fuel costs in remote rural areas, starting with pilot schemes.

In January 2012 James Paice stated the Government's objectives in the negotiations on reform of the Common Agricultural Policy (CAP):

**Mr Paice:** The common agricultural policy (CAP) negotiations are at an early stage. The Commission's proposals were released on 12 October 2011 and are currently being considered by member states in the Agriculture Council, as well as by the European Parliament for the first time, under co-decision.

The UK Government want to see ambitious reform of the CAP. We will continue to argue for a very substantial cut to the CAP budget, focused on Pillar 1. The CAP that remains should provide better value and prepare for a future without income support. It should be used to encourage improved productivity and innovation to increase the competitiveness of the agriculture sector and a higher proportion of CAP funds should be used for the cost-effective delivery of public goods. We will also argue for a less complex CAP, with reduced burdens for administrators and beneficiaries.<sup>1</sup>

The Government has been anxious to reduce the regulatory burden for farming and set up The Farming Regulation Taskforce, which made a wide range of recommendations in its [Review](#), 17 May 2011. The [Government response to the Farming Regulation Taskforce](#) was published in February 2012.

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<sup>1</sup> HC Deb 25 January 2012 cc250-1W