Farming in 2024 by David Taylor

I farm with my son, Nick, at Housedean Farm on the Downs near Lewes. The farm is a mixed arable and beef farm covering around 1,100 acres of which around 650 acres are in an arable rotation. We are tenants of Brighton City Council and our family have been here since 1937. Over my time in farming there has always been change, often in response to economics and perhaps more recently to the changes we are seeing in weather patterns. These have been small incremental changes spread over nearly 50 years.

Farming is about to undergo much more dramatic changes in the next year or two. Ever since the war, agriculture has been supported in some form or other in order to secure a food supply for the nation and make us less reliant on imported food. The methods of support have changed from guaranteed prices for certain commodities set annually by the government, known as deficiency payments, to one of direct support once we joined the European Union. At that time support changed to a market intervention system where in years of surplus stock was bought by the EU and stored to be released in years of shortage. This led to so called grain and butter mountains which were much criticised. This intervention system eventually changed in 1994 to a system where there was a base level of support in the form of an annual payment based on area or livestock numbers which required compliance with a series of environmental measures.

This support payment changed its name from the Single Farm Payment to the Basic Payment System but was paid on an area basis whereby the more land you farmed the more payment you received. This was often criticised because large landowners were receiving big sums of money. What was often missed in the argument was that these landowners would have proportionately similar costs as smaller farmers and were employing staff whose jobs depended on these payments. They were also able to spend money on environmental measures.

Throughout most of the period when these support payments were paid, that payment would equate to or even exceed the profit of the business. In other words, these payments were vital to the survival of most farm businesses. When we left the EU the government decided to change the system by reducing these payment to zero by 2027 by gradually reducing them over seven years. This was partly mitigated by higher prices in 2022 and to a lesser extent in 2023 because of the war in Ukraine. However, we are now entering a period where we are saddled with hugely increased costs and a falling commodity price. Wheat in 2022 rose to £320/tonne. Today it is worth £165/tonne. Farming is heading for a crisis.

Alongside all of this has been an increasing emphasis on paying farmers to adopt environmental measures in return for a payment based on income foregone. This began in 1987 with the Environmentally Sensitive Area scheme and has now developed into the Sustainable Farming Incentive or SFI.

The SFI has a large menu of options for farmers to choose from. Many of these options involve taking arable land out of production in favour of land uses that support wildlife. The previous government suddenly realized that there was a real risk that if too much land was taken out of production, then it could jeopardize our food security so they limited the area you could enter to 25% of the farm, but only for certain options.

There is still the ability to take a whole arable farm out of production. This is an option that many farmers are considering, bearing in mind the coming complete removal of support and the declining commodity prices. The dilemma for farmers is that these schemes are only for a three-year agreement. Although you would hope there would be a continuing commitment from government, there is no guarantee that, faced with prioritizing expenditure, they won't abandon their support for farmers through the SFI.

More recently the government's support for agriculture has again been put in doubt by the Inheritance Tax changes in the October budget which imposed a 20% inheritance tax on all agricultural land and business assets over £1million. Some will have made use of the seven year rule and passed on their assets in good time but younger farmers, perhaps farming with the next generation in the business, could be the hardest hit victims. Take for example a 50-year-old farmer who has his son or daughter farming with him and hasn't yet got around to dealing with succession. It could be a 400-acre farm worth perhaps £4 million. He could meet with a fatal accident or terminal illness and his potential successors could be faced with a tax bill of £600,000 which is so large that they would have to sell land to pay for it. These are the people who could be hardest hit and is what could be the end of the small family farm in the future.

Farmers are always thought of as custodians of the countryside which indeed we are. However, we are also businesses trying to make a living and as such and as individuals we have to make the decisions that are the best for our business. This could have profound effects on the future of farming, food production and the way we look after the countryside. You can't be green if you're in the red!