

# Farmers Lost in a Maze of Subsidies?

by JOHN CHERRINGTON

Reprinted in full by kind permission of *The Financial Times*

*Farming subsidies in Great Britain are a mystery to most people, and this excellent article by John Cherrington, Agricultural Correspondent of The Financial Times provides a much-needed general picture of what they are and how they work.*

NEW ZEALAND FARMERS, who are denied the advantages of our subsidy system, are apt to wax sarcastic about it, and I heard of one the other day who was being told about the religious festivals in British farming. He heard about Plough Sunday and Harvest Festival Sunday, Blessing the Crops and so on; "And when," he asked, "do you have Subsidy Sunday?"

Fair comment indeed, for to the uninformed and suspicious British farming seems to be dependent on a veritable cornucopia of subsidies. There are, in fact, twenty-nine separate subsidies listed in the Price Review White Paper, sub-divided into price guarantees and direct grants.

Then there are what might be called the non-Review subsidies. These have nothing to do with Agriculture Acts, but are state-financed anyway; the advisory services, small holdings, Animal Health Service, bull licensing, Agricultural Research Council, and so on. I've lost count now but the total can't be far short of fifty separate items.

Quite a number of us don't like having to be dependent on so much state aid and interference, but no farmer I have ever heard of has refused to accept it when offered, although there are occasions when claims might have been forfeited through neglect or ignorance of their existence. I have even heard of farmers who claim that they could carry on without subsidies at all, but I can't remember ever meeting one. Normally such people make it a pre-condition of their abstinence that the market should be protected from foreign dumping, or the customer should pay the costs of production.

## New Owner

To illustrate this tangled web let us look at an imaginary farm. It is a large farm and runs from sea level through some heavy land to loam, and finally to a mountain top. Mr. Smith, the new owner, knows little of farming, but he is willing to learn; so willing, in fact, that he spent the previous year at the County Farm Institute, government-grant aided, learning the rudiments of his new trade.

On entry to the farm he applied to the National Agricultural Advisory Service for free assistance, and had the whole farm inspected, a farming programme and budget suggested, the land surveyed and the soils analysed. The survey suggested that some fields should be drained (50

per cent. grant), limed (70 per cent. grant), fenced, watered and roaded (25 per cent. grant). These last two projects came under the Agricultural Land Service, which also advised and approved for grant (25 per cent.) new buildings such as a prudent landlord would provide. The NAAS also advised on the correct fertiliser programme (subsidy 20 to 30 per cent. depending on kind used), rotation to be used, and subscribed to a proportion of Mr. Smith's secretarial help.



He decided to run a dairy herd on his lower land and was able to call on free advice by the Veterinary Investigation Laboratories, free vaccine to prevent his cows from aborting and free testing (compulsory) for tuberculosis. His milk is regularly tested by the Milk and Dairies Inspector and in the event of any trouble the NAAS is there to help him escape it. If he breeds a bull, or a boar, he must have it inspected and licensed before he can use it.

If he decides not to milk on his lower land his high land qualifies for a hill cow subsidy of £13 plus a winter keep allowance of £5 a cow, plus, of course, the calf subsidy. His hill sheep will, in any case, draw total subsidies of about 21s. 6d., and, if he lives in Northern Ireland, he will draw a special subsidy for every ton of silage he makes. If his land becomes rabbit infested he joins his subsidised rabbit clearance society and has them dealt with (33 per cent. grant).

Then, of course, all his output that comes under the heading of Review commodities is price-supported by the deficiency payments. Non-Review commodities, such as fruit, market garden crops, and so on, can share to a greater or less degree some of the production grants, or, as in the case of broilers, benefit from low-cost, subsidised feed grain.

I think this is an important point, because broiler growers are apt to claim to be completely independent of any subsidy, and it is true that, apart from free veterinary investigation and subsidised fowl-pest vaccine, I cannot

think of any direct benefits that they draw from the Exchequer. Their advantage stems from the very cheap grain on the British market. The cheapness, or weakness, of our grain market stems from the weight of home production, now over sixty-five per cent. of total supplies, as against fifty per cent. five years ago. It is this weight of subsidised, badly sold, grain that keeps our market depressed and makes our other suppliers subsidise their exports to us.

#### **True Cost**

It is difficult to estimate the true cost of the cereal subsidy. The actual deficiency payment has been about £6 a ton latterly, to which must be added a share of the fertiliser subsidy, equal to about 30s. a ton, plus the indefinable benefits of the other grants I mentioned above.

Remove all these and production would be bound to drop and prices rise, and where would the broiler growers be then?

So the actual determinations of the Price Review are really only the visible tip of the complex ramifications of the whole subsidy system. They are the more important financially, of course; the others could be described as subsidiary but necessary to the working of the exercise. It all started with the best of intentions back in the war as a means of keeping down food prices in times of scarcity. It was never meant to be a system of price maintenance in normal market conditions. So compromise has been piled on compromise until the resultant tangle is such that to unscramble it would defeat the wit of man.