AgriCultured Briefing: Five Oxfordshire Farmers

This briefing accompanies the radio documentary ‘AgriCultured: Five Oxfordshire Farmers’. The briefing sets the experience of the Oxfordshire farmers in the context of national and international changes in agriculture over the last fifty years. The farmers quoted in this briefing can be heard in the radio documentary and full transcripts of their interviews are also available. The Oxfordshire farmers were interviewed in May and June 2002.

The farming crisis
There is a global crisis in farming, caused primarily by the collapse in the price that farmers receive for their produce. This crisis has sent shock waves through the UK farming industry as farming undergoes what has been described as the most fundamental restructuring since the Corn Laws.

Whilst the foot and mouth outbreak in 2001 has forced many livestock farmers, including Oxfordshire pig farmer David Orpwood, to leave farming, foot and mouth disease is in reality only the latest in a series of UK specific factors (including food safety scares, such as BSE, and the strong pound), which have exacerbated the impact of the global crisis in farming.

“Foot and mouth cost me last year, on my budgeted income it cost me, £75,600 last year…..It's done enormous damage to agriculture in this country, and it was the final straw, I couldn't see myself (how) to break out of, what I saw was a spiral down of my net worth.”[1]
David Orpwood, farmer

The declining farm workforce: losing small and family farmers at an alarming rate
The number of people working in agriculture has consistently been in decline for the past fifty years. In 1949 there were aproximately 570,000 farmers and farm workers in England and Wales, by 2001 there were 430,000.[2]

In part this loss of labour from the land has been due to the post war industrialisation of farming and the replacement of farm labour by machinery.

“Now with the big high-density bailers, like last year I saw the guys go-in, they'd bailed and cleared the whole farm in three days, and that was one man, whereas when we were doing it, we'd have been like me bailing, three guys pitching and loading bails and another couple stacking them back in the barn. And so five men working for thirty days, that's one hundred and fifty men days replaced by three days. It's just incredible; I mean its (a) fundamental difference.”[3]
Clive Hawes, farmer

In England, agriculture employed 435,781 farmers and farmworkers in 1990, by 1995 this had reduced to 400,887 and in 2002 to 371,824.[4] The pace of the loss of farmers and farm workers has accelerated markedly in recent years with nearly 65,000 farmers and farm workers leaving farming between 1990 and 2002. The government expects that by 2005, 25% of the remaining farms in the UK, predominantly the smaller farms, will have gone out of business or merged, with a further 50,000 people forced to leave farming.[5]

The Oxfordshire farming study found that 57% of farmers in the county are aged over fifty. Almost half (49%) of these farmers expect to retire in the next ten years, and 52% did not expect a family member to take over the farm.[6] Oxfordshire beef farmer, Marilyn Ivings, thinks it unlikely that any of her children will want to take over the family farm when she retires:

"I think they have a rosy view that they would love to bring their children up on a farm, but they wouldn't want the hours, they wouldn't want the returns, and I don't think they would want the gamble of it, you know, the insecurity really……when we pop our clogs, I have an idea that the whole lot will be lotted up and sold."[7]
Marilyn Ivings, farmer

The farm income crisis
The total income, in real terms, generated by agriculture has been declining (by around 70%) over the past 30 years.[8] Yet 69% of farmers are still reliant on farming as their primary source of income.[9] A survey by accountants Deloitte & Touche found that over the last five years net family farm incomes have fallen dramatically; from £80,000 in 1995/6 to £8,000 in 2000 and to £2,500 during 2001, the year of foot and mouth.[10] Average farm incomes increased to £10,700 in 2001[11], and were set to rise to £11,136 in 2002.[12] However incomes for some farmers still remained below the minimum wage.[13]

UK farmers received almost £2.5 billion in subsidies under the Common Agricultural Policy in 2001.[14] But because subsidies are production-based (ie the more cereals you grow or the more animals you have, the greater the subsidy), the bulk of the subsidy goes to the larger richer farms.[15] It is estimated that 80% of farm subsidies go to 20% of farmers, but the majority of farmers (63%) receive less than £5,000 a year in farm subsidies and some farmers (pigs, poultry and horticulture) receive no subsidies at all.[16]

In order to maintain income levels in the face of falling produce prices farmers have frequently attempted to increase their efficiency by getting onto the 'technological treadmill' of intensified production: borrowing money to purchase the latest equipment and relying heavily on expensive chemical inputs and high yielding hybrid seeds. Jane Bowler, a small pig farmer, recalls that in the late 1960's when farmers were also suffering from low prices that many expanded their farms and invested in new technology:

"It (her father's farm) was about one hundred and fifty acres, and it was just at that point where everybody was getting quite a lot bigger, at least most people were, I think the dairy prices were difficult even then. There was the milk marketing board and all that then of course. The other thing was the milk churning. We were on milk churns then and so it was new practices and machinery really because everybody was going into bulk tanks and so this was the whole scenario, that you had to change your system really."[17]
Jane Bowler, farmer

Agricultural borrowing currently stands at an estimated all-time high of more than £10 billion.[18] In 1999, 64% of farmers borrowed money to keep their farms going.[19]. Many are now saddled with enormous debts, which they have been unable to repay as farm incomes have fallen further. According to a survey carried out by ADAS in 2000, 20% of farmers were worried about their futures and did not know what other work they could do, 7% felt that farming had no future.[20] Suicides among farmers currently stand at 59 per year, more than one a week.[21]

Faced with falling incomes, 27% of farmers, like Clive Hawes and Charles Peers, have diversified into activities outside food production. [22], Clive and his wife run a nursing home and Charles has developed holiday accommodation and converted some of his outbuildings into offices for rent. Factors such as location, structure of the business and available skills mean that for many diversification is not an option.

Others like David Orpwood are choosing to leave farming all together.

"Due to the total collapse in the industry, or the commodity price of the industry, I couldn't continue any longer without loosing everything I've got. I sincerely hope I won't loose my house although I'm prepared, well not prepared, I'm aware, in the meek and misty background that I might loose it, because of the amount of debt built up."[23]
David Orpwood, farmer

Farmgate prices below the costs of production
A survey by the Independent newspaper in 1999 found that UK farmers were earning almost nothing from what they produce. For virtually every commodity in the survey, the farmgate price, the price farmers were paid for their produce was less than the cost of production.[24]

	Cost of production	Farmgate price
Milk	between 18-21pp litre	18.5pp litre
Pork	95p per kg	84p per kg
Bread wheat	£95 per tonne	£115 per tonne incl subsidy
Eggs	45.3p per dozen	27p per dozen
Potatoes	£77 per tonne	£50-60 per tonne

And whilst the price of food has been falling at the farmgate, there is no evidence that these falling prices are being passed on to consumers at the supermarket checkout.[25] For example in 1998, a slump in lamb prices at livestock markets was not translated into supermarket prices and again in 2001 a slump in milk prices did not reduce the retail price.[26] Farmers say they can't continue to deliver high quality produce, landscape, nature, food safety and animal welfare at these prices.[27]

There is however plenty of money in the food production system, but very little is getting back to the farmer. Most of the money in the food chain is instead going into the pockets of companies in the processing and retailing sectors: which are dominated by huge multinational food corporations like Unilever, Nestle and Kraft (part of Altria) and the big supermarkets like Asda and Tesco. In 2002, UK farmers earned £6.6 billion, whereas UK food processors, manufacturers and retailers earned £36.9 billion.[28] A Canadian study, which compared five year return on equity for Canadian farmers and for a number of multinational food corporations, found that farmers had a return on equity of only 0.7%, the corporations had considerably higher returns (Nestle 21.5%, Philip Morris (now Altria) 39.1%, Kellogg 41.6%).[29]

The global food economy

The global trade in food has been going on for millennia. During the Roman Empire, wine, grains, salted meat and fish were imported into the UK; the spice trade between Asia and Europe flourished between the fifteenth and seventeenth century and the wealth of the British colonial era was built on global trading in sugar, coffee, tea and salt.

More recently technological changes, including the intensification of agriculture, refrigeration and new processing technologies together with cheap air transport, the emergence of powerful multinational food corporations and the rise of free market economics have supported the increased growth in the global trade in food over the past 30 years. EU imports of food have increased by between 4% and 289% over the last 30 years and exports by 164% and 1340% over the same period.[30] The global trade in food increased three-fold between 1965 and 1998.[31]

Not only is the trade in food a global enterprise but the price of food is now determined on the world commodity market, rather than at the local or even national level. Although only 10% of world food production is actually traded globally, that 10% sets the market price for the other 90%.[32] When, as there is now, a surplus in food production, commodity prices fall, and farmer's incomes all around the world suffer.

This global market economy, supported by the World Trade Organisation's Agreement on Agriculture and the European Union's single market policy, requires farmers to become more internationally competitive in order to survive. It forces UK farmers into competition with farmers from other countries where geography and climate are more favourable, labour costs lower and environmental and animal welfare standards less stringent. Crops that could be produced locally can now be imported often at prices well below the UK cost of production. For farmers who cannot match the technology needed for intensive, large-scale farming or don't have the advantage of favourable geography and climate, the globalisation of agriculture threatens their survival as farmers.

Dependence on global export markets also means that farmers suffer losses when there are exchange rate fluctuations and economic downturns in other parts of the world.

"The pound strengthened against the deutschmark, the Russians suddenly became bankrupt and they couldn't afford to buy any meat, so pig meat suffered, and the tiger economy went through a depression too and they were big importers of pig meat and so those three things took us apart and the fourth one of course was the EU had quite a lot of pig meat, we were over supplied of pig meat, and we lost all our export markets, so you know, total supply and demand…"[33]
David Orpwood, farmer

The main beneficiaries of the global food economy are the multinational corporations who have no allegiance to communities and switch from buying from one farmer to another and from one country to another in their search for the cheapest price.

Concentration of corporate power
Food production both in the UK and globally is increasingly controlled by a small number of very large companies, this concentration of corporate power is one of the defining features of the global food economy.

"There are two hundred thousand farmers, dealing with, basically speaking, three supermarkets, two grain merchants, four fertiliser companies. Not a chance….. they've got power, real power."[34]
Charles Peers, organic farmer

It is no surprise, given this market power imbalance between the multinational food corporations and the farmers that must do business with them, that farmers are estimated to receive only 9p of every £1 spent on food by consumers.[35]

Trends in Corporate Agriculture

- In 1921, 36 firms accounted for 85% of world grain exports by the end of the 1970's, six companies controlled more than 90% and now there are two global corporations; Cargill and Archer Daniels Midland who control 80% of the world grain trade[36].
- Four agro-chemical corporations (Syngenta, Dupont, Monsanto, and Aventis (now Bayer)) control 2/3 of the pesticide market, 1/4 of the seed market and almost 100% of the transgenic seed market.[37]
- Five supermarkets Tesco, Asda, Sainsbury's, Safeway and Somerfield control almost 70% of UK food retailing.[38] Tesco accounts for almost 27% of all grocery sales in the UK.[39]

The supermarkets' increasing control of the food system
Over the past 40 years food sales have shifted from small independent shops to huge supermarket chains. In 1960 small independent retailers had a 60% share of the retail market, by 2000, their share was reduced to 6%[40] and the five largest UK supermarkets controlled almost 70% of grocery sales.[41] This

concentration of the grocery retailing sector has produced a situation in which a small number of large supermarket chains now have substantial buying power. The supermarkets shop around the globe looking for the best price, pitting farmers against each other to compete to sell at the lowest price. Farmers are in an extremely weak negotiating position. Only multinational corporations and companies with successful brands have any leverage with the big retailers.

Supermarkets ruthlessly exploit this effective monopoly over producers and as the biggest buyers of food dictate not only how much they will pay but also how the produce will be packaged, stored and delivered.[42] One of the most shocking aspects of this power imbalance is that farmers are frequently paid less than the costs of production. Supermarkets have farmers over a barrel. They either accept the supermarkets prices or they don't trade. Or as Tony Blair chose to put it supermarkets have farmers in an "armlock" [43]

Dedicated supermarket supply chains

Supermarkets have brought their buying power to bear on producers not only with respect to prices, but also through their systematic control of the whole food supply chain; the use of direct contracts with selected farmers rather than traditional competitive markets and the use of 'favoured' slaughterhouses, processing and packing companies. Tesco was the first supermarket to bypass live auction markets, buying cattle and sheep direct from farmers.[44] All the big supermarkets now tend to favour buying directly from a small number of selected farmers, like beef farmer Marilyn Ivings:

"We are a Marks and Spencer preferred farm…..It means that you get a slight premium, and of course you've got a certain market, you know, which is very good, because you know if you sell to an abattoir which doesn't specialise, then they are dependent on people buying on that particular day, and if they've got a lot buyers then the price is up, if they've only one or two buyers, then they have a lot of, what you might call, over production and the price falls. Whereas sending them to the Marks and Spencer place then you know what you're going to get and it's not going to alter."[45]
Marilyn Ivings, farmer

These closed contract production systems are now such a large part of the livestock and produce industries that the traditional methods of selling farm produce through wholesalers and livestock markets have been on the decline for some time, a decline which has only been exacerbated by the recent foot and mouth crisis. Whilst some farmers like Marilyn Ivings appear to be benefiting from these dedicated supermarket supply chains, the majority of farmers have been marginalised by the consequent collapse in the wholesale market and a lack of alternative markets for their produce.[46]

Selling through live auction markets was still dominant in the 1960's and over 800 such markets were operating in the UK, but by March 2001 there were only 170 livestock markets remaining.[47] A Meat and Livestock Commission survey in 2002 suggests that less than 20% of cattle are now sold through cattle markets and only 35% of lambs.[48]

“Well, of those (livestock) markets I used to cover, there's probably only Thame that's still going, and Thame's going purely by chance because a group of farmers got together and bought it as a co-op. I think if any survive, they probably will……Banbury was the largest livestock market in Europe….. it closed because the business wasn't there to be done. There weren't the buyers, and without the buyers there's no point in having the market. I mean I've been in Banbury market when there'd be two thousand fat cattle, ten thousand sheep, a couple of thousand pigs and five hundred barren cows”[49]
Clive Hawes, farmer

And while many will applaud the closure of livestock markets on the grounds of cruelty and their replacement by alternatives such as electronic selling,[50] there has also been a concomitant decline in the number of slaughterhouses which means that animals must often travel long distances by truck to be slaughtered. In 1967 there were over 3,000 slaughterhouses in the UK, but by March 2001 only 520 were still in operation. This is partly as a result of increased competition and rising hygiene standards following Britain's membership of the EU but also because the large supermarket’s have switched to direct supply contracts via favoured slaughterhouses.[51]

Supermarket exploitation of farmers
Responding to complaints from farmers and growers that they were being subjected to excessive or unreasonable demands from supermarkets the Competition Commission examined the relationship between producers and supermarkets. In their report the Commission cited more than 50 ways in which supermarkets exploited their power over producers.[52] This included 'requests' for ''over-riders' and retrospective discounts, 'requests' for promotion expenses, making changes to contractual arrangements without adequate notice, and unreasonably transferring risks from the supermarket to the supplier. Despite these findings the Commission failed to impose any sanctions on supermarkets, but did propose the setting up of a code of conduct between supermarkets and their suppliers. However the voluntary code agreed between the Office of Fair Trading and the big four supermarkets has, according to farmers and small processors, failed to curb the power of the supermarkets.[53]

Localising the food supply
In response to the industrialisation of the food system, the power of the supermarkets and falling farm incomes some farmers, like pig farmer Jane Bowler, have sucessfully cut out the middleman and are selling directly to local consumers. Jane and her family raise pigs, butcher the animals and then make 'value added' products (cuts of meat, pates, sausages and bacon) which they sell in their farm shop, at farmers markets and through local butchers. Other possibilities for farmer to consumer direct marketing include community supported agriculture (consumers pay farmers in advance and receive a share of the produce in return), pick your own produce and sales to local restaurants and grocers. There are also additional benefits to the community and consumers of localising the food supply including a reduction in pollution from transporting food, fresher produce, more money retained in the local economy and improving understanding between urban and rural

communities.[54]

Reflecting the trends in UK farming

The changes occuring in UK farming are clearly reflected in the experiences of these five Oxfordshire farmers. The farm income crisis, the fact that farmers are not receiving a fair price for their produce, has impacted on all of them to varying degrees. It has led each of them to make significant changes in order to earn a living, Charles Peers and Clive Hawes have diversified outside of farming; Marilyn Ivings and Jane Bowler have created premium quality value added products for specialised markets and David Orpwood is leaving farming altogether.

Acknowledgement: This briefing was written for the AgriCultured Project by researcher Kathryn Tulip from Corporate Watch in May 2003.

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