

A strategy for sustainable land management in England

Distributed by:
Countryside Agency Publications
PO Box 125
Wetherby
West Yorkshire LS23 7EP

Telephone 0870 120 6466
Fax 0870 120 6467
Minicom 0870 120 7405 (for the hard of hearing)
www.countryside.gov.uk

© Countryside Agency
June 2001

Contents

Foreword	3
Purpose	5
Our vision	6
Principles for sustainable land management	7
Principle 1	
Multi-functionality	7
Principle 2	
Sustainability	8
Principle 3	
Integration	8
Principle 4	
Subsidiarity	8
The strategy	8
Needs in the short term (2001–2003)	11
Needs in the medium term (2004–2006)	12
Needs in the longer term (beyond 2006)	12
Mechanisms	
How might our vision be delivered	15
Local strategies to deliver public benefits	15
Creating a market for non-market benefits	16
Outcomes	
Possible outcomes by 2020 – some sketches	17
Annex 1	
The current position, drivers of change and the farmer’s response	20
Annex 2	
The Countryside Agency’s role	26

Foreword

UK agriculture is in trouble. Profits have hit new lows. Over 20,000 jobs have been lost in the last year alone. The commercial climate remains very difficult.

Parts of the country have now been ravaged by Foot and Mouth disease. It is too early to say what the long term implications will be. In some of the worst hit areas it may spell the end of much traditional livestock farming. More widely, many small businesses will suffer losses or closure, including many not obviously linked to agriculture.

Farming remains vital to the livelihood of many rural communities and the conservation of our cultural and environmental heritage. Expectations in this area are high and are increasing with every disaster to hit farming. The public expect land managers to deliver good quality, safe and reasonably priced food without compromising animal welfare. They look for all that to come from an attractive and accessible countryside with diverse wildlife which can deliver economic benefits for other businesses, especially tourism. They want land managers to play a responsible role in reducing flooding risk ... and much more.

Land managers and farmers cannot deliver against those expectations within the framework of current agricultural policy. Nor will they be able to deliver without fundamental reforms of policy.

Consumer confidence in farming and food, badly shaken by BSE, is now reeling from hugely negative media images reporting Foot and Mouth. Confidence in farming as a business is also suffering. The latest data show that 40% of farms sold recently were not to people who wanted to farm, but to those looking for a country home with an attractive environment.

What is to be done? Many people, from politicians to individual farmers, have called for fresh thinking about the future of agriculture. The Countryside Agency would warmly welcome a review of this kind, so long as it is properly grounded – reflecting the broad public expectations of agriculture within a comprehensive rural policy. After all, our countryside is increasingly shaped by those outside the agricultural industry. Any review must look at land management in the widest sense, not simply at commercial agriculture as it is now

practiced. It must involve all those who have a stake in the future of the countryside.

This paper is our first contribution to that fresh thinking. We need to do more work to test its analysis and proposals and, if they pass muster, to develop innovative ways in which they can be implemented. The conclusions will be of the highest importance to the future of our countryside and those who live and work there. Our statutory responsibilities require us to be at the heart of the debate.

A handwritten signature in black ink, appearing to read 'Ewen Cameron', with a long horizontal flourish underneath.

Ewen Cameron
Chairman

Purpose

As the activity which occupies by far the largest area of land in England, this strategy is primarily about future directions for commercial, profitable agriculture. However, less land will be used primarily for food production in the future. More land is likely to be used for crops for industry and for energy. More is likely to be managed mainly for conservation, recreation or community benefits. There will be more woodland. And many new entrants to the land market are buying land primarily for lifestyle reasons, although they must still farm it to retain the amenity values they want.

This document sets out the Countryside Agency's vision for sustainable land management. Through it we hope to stimulate discussion and debate on future policies to secure beneficial change.

Our vision

“where there is no vision, the people perish” – Proverbs

We would like to see a countryside where:

- there are prosperous land based industries producing high quality food and other products which people value;
- there is a wide range of rural businesses and services both on and off the farm;
- the workforce is skilled and valued;
- the basic resources of soils and water are conserved effectively and degraded elements have been improved;
- the varied character and diversity of the landscape and settlements is valued and protected and degraded rural landscapes and habitats have been restored;
- our native wildlife is flourishing;
- historic sites and buildings are conserved and used sensitively;
- local communities are vibrant and socially inclusive;
- visitors are actively encouraged to enjoy the many qualities of the countryside;
- society recognises the need for and supports public investment in land management.

Our goal is to see a prosperous land based sector which retains the primary responsibility for creating and maintaining the varied character which is the essence of the English countryside. This will require different approaches in different areas.

Principles for sustainable land management

We suggest four principles to guide the development of policy and practice.

Principle 1

Multi-functionality: land should be managed to deliver a wide range of benefits beyond food and fibre production

In addition to food and fibre, land management provides a range of public goods. These include: wildlife and distinctive landscape character which is largely dependent on the various systems of farming and land management; opportunities for public access; clean water; and flood protection and water management. Land management also provides many social and economic benefits that help maintain rural communities.

Benefits for society from multi-functional land management:

- conservation of the basic resources of soils and water upon which we depend for our survival;
- high quality food, fibre and other renewable raw materials whose production meets animal welfare and environmental standards which may be expected to rise over time;
- landscapes and settlements rich in local character, distinctiveness and inspirational quality;
- the full diversity of wildlife habitats and species across their natural ranges;
- the protection of historic, cultural and archaeological features;
- employment in sustainable land management and in existing and new sustainable businesses in the local and wider rural economy, through use of land-based assets;
- strengthened relationships with local communities, harnessing the assets of sustainable land management;
- opportunities for public enjoyment through sustainable recreation and tourism.

Principle 2

Sustainability: land management should reflect the principles of sustainable development

In other words it should:

- a. maintain and enhance (where needed) the quality of the primary environmental resources of air, soils and water;
- b. secure long term robust and adaptable economies, based on local strengths, which can flourish within local, national and global trading environments;
- c. maintain and enhance landscapes, countryside character, biodiversity, historic and cultural values;
- d. provide strength to rural communities – especially the people whose livelihoods depend on it, directly and indirectly.

Principle 3

Integration: land management must be integrated with rural development

Rural land management underpins other parts of the rural economy, for example supplying products directly and indirectly (by maintaining the landscape) upon which rural tourism is based. Businesses based on land management provide business for other rural firms.

Principle 4

Subsidiarity: a framework which can reflect regional and local needs and aspirations

People should have a greater voice in shaping land management to deliver public benefits – at the regional and local community scale – while still reflecting the fact that most land will remain in private ownership, managed in ways that are influenced by policy and financial support.

The strategy

We want to see land management contributing positively to the economy of rural areas, to the environment and to society.

For the economy of rural areas we want to see:

- less of an emphasis on the mass production of food for the global market. While such outlets will continue to have their place, many farms will have to look for new ways to make long term profits;
- a greater emphasis on processing and marketing produce in the area it is grown, strengthening where possible the links between product, place and landscape character, and reducing “food miles”;
- consumers who make purchasing decisions in ways that reflect the importance of sustainable agriculture and forestry;
- improved effectiveness of local and regional supply chains, so retaining more of the value of products locally;
- greater diversification on and off the farm – adding value or satisfying alternative markets – broadening the business and enterprise mix, supported by appropriate planning policies and giving new business and employment opportunities;
- new crops and products, and non-food crops for industry and for renewable energy;
- more land based leisure and tourism services;
- jointly produced services, for example paying farmers to use land for water catchment or flood alleviation where that saves investment by infrastructure providers.

Promoting sustainable, local produce

Consumer support for land managers and the way they maintain the countryside is as important in the long term as government support for agriculture and forestry. This is why it is crucial that people make the connection between the countryside they cherish and the goods they buy. Purchasing decisions

made by consumers can have an important influence on how land is managed. Some products, because of the way they are produced, their area of origin, or other qualities, can help maintain the environmental quality and diversity of the countryside while at the same time bringing benefits to the rural

economy and local communities. Developing stronger markets for such products would make environmentally sustainable land management more commercially viable. This would in turn help to conserve the countryside they treasure.

For the environment we want to see:

- effective implementation of appropriate standards, together with realistic targets for sustainable farming and forestry, achieved through incentive as much as by further regulation;
- reductions in diffuse pollution to water, soils and air;
- more effective water management and avoidance of over-abstraction from rivers and aquifers;
- better integration of farming and woodland management;
- woodland expansion to achieve multiple benefits (for example biodiversity, and locking up carbon to help tackle global warming);
- maintenance of landscape character and local distinctiveness;
- land management responsive to ecosystem/habitat requirements;
- biodiversity action plan targets met;
- restoration of damaged habitats and degraded landscapes;
- good management of soils, reducing soil degradation through compaction, erosion or contamination and leading to improvements in soil systems that enable them to support a wide range of land uses.

For society we want to see:

- better understanding (especially among people living in towns) of land management and its importance in contributing to the economy of rural areas;
- raised awareness of the links between public funding for land management and high quality landscapes and biodiversity;
- better integration of land management within the wider rural community and regional economy;
- improved quality of life for all, for example through a better environment, availability of high quality, locally produced food, and improved opportunities for access;
- better targeting and better value for money for society's investment in rural land management;
- a greater range of rural employment and training opportunities enabling people to live and work in rural areas, to retrain from traditional rural industries where jobs have been lost, and to develop and to continue to develop their skills;
- better opportunities for public enjoyment through rural recreation and tourism.

To achieve all of the above, we need action in the short term, the medium term and the longer term.

In the short term (2001–2003)

We need:

- to make maximum use of the opportunities currently presented by the Rural Development Regulation, through the England Rural Development Plan (ERDP), to help everyone who is eligible. We want:
 - ~ added value by better integration of ERDP scheme delivery, through facilitation, co-ordination and, where appropriate, delegation of delivery;
 - ~ an expanded and better funded Rural Enterprise Scheme, with support available to all disadvantaged rural communities;
 - ~ the case made for a higher, and more proportionate, share of EU RDR funds: our current share, based on historical allocations, is only 3.5%;
- to generate larger markets for the products of sustainable land management;
- provision of integrated business, conservation and environmental advice, free at the point of delivery;
- appropriate, verifiable and meaningful standards for food quality, animal welfare and the environment, applicable to all farmers;
- appropriate regulations in place to achieve sustainable land management, with unnecessary regulatory burdens removed;
- full recognition of the importance of sustainable land management in all Regional Development Agency regional economic strategies;
- further development of needs-based training packages to support rural businesses and communities;
- improved links between local communities and land managers to develop the interchange of goods and services that one might want from the other;
- better understanding by urban communities about the countryside, what is produced from the land, and how it is produced;
- to influence the European Commission, Member States and accession countries (and relevant organisations within those countries) to prepare for more fundamental reforms of the CAP at the earliest opportunity, including transitional and degressive support payments;
- until more radical CAP reform is achieved, appropriate cross compliance measures applied to prevent further environmental damage from direct CAP support payments, operated in a simple, non-bureaucratic way that farmers will find easy to work with.

Initiatives announced in the Government's Action Plan for Farming, in the Rural White Paper, in the Countryside Agency's Strategy and elsewhere are beginning to address many of these needs.

In the medium term (2004–2006)

In addition to further development of the short term measures set out above, we need:

- an expanded ERDP, funded through a higher and more proportionate share of EU RDR funds, supplemented by funds, if any, released as a result of EU-wide degressive support payments;
- in the absence of degressivity, an increase in the percentage rate of modulation above the 4.5% level agreed in the ERDP by 2005;
- agri-environment schemes available to all farmers through an all-England scheme targeted on outcomes identified farm by farm in all farm plans;
- new CAP commodity policies that respect countryside character, as a result of further reforms in the sheep and dairy sectors before the next full CAP reform;
- greater integration of multi-functional land management into the rural economy, with the tax system recognising the integration of a variety of businesses that can co-exist on one land unit;
- the UK making the case for a new approach to support for land managers and rural communities to replace the current Common Agricultural Policy with an Integrated Rural Development Policy.

The aim should be the transformation of the CAP into a new system of aid, linking all public support to sustainable land management practices which can command wide public acceptance, and to rural development measures. This will require fundamental reform of the CAP. The UK must play a leading role in influencing the demands for reform amongst member states and in seeking a new rural policy consensus for Europe.

In the longer term (beyond 2006)

The changes outlined above are stepping stones to the much more fundamental changes in both policy and in the relationship between land managers and society which are needed to achieve our vision for more sustainable land management.

Policy changes

Even with the reforms outlined above, the scope and penetration of the Common Agricultural Policy would still prevent the achievement of our vision for sustainable land management. In the longer term, member states should be given wide discretion over most matters of land

management policy currently falling within the CAP. This would allow them to develop a suite of support measures tailored to the needs of their own communities which they serve. Arrangements would remain for the EU to ensure that national or regional schemes did not breach European or international rules on competition and state aids.

Our proposed national Integrated Rural Development Policy (IRDP) would include the following elements:

- transitional and degressive commodity support payments with the savings switched annually to the other elements of the IRDP budget;
- land management payments based on the outputs of multi-functional agriculture rather than on income foregone;
- by 2010, one third of the IRDP budget allocated to agri-environment measures, one third to rural development and only one third to farm income/market support. All income/market support would be phased out by 2020;
- transitional direct support to agriculture to be subject to cross compliance to prevent environmental damage.

A new relationship between land managers and society

The Countryside Agency is seeking a policy framework that will encourage and reward sustainable, multi-functional land management. But policy change is not enough. A new relationship is needed between land managers and society which recognises the full benefits and responsibilities of multi-functional land management. For land managers and society this means:

Land Managers

All land managers should be required to meet agreed environmental, animal welfare and product quality standards in the way their land is managed and in the produce they market, and should comply fully with relevant legislation.

Land managers receiving public payments should:

- be able to demonstrate clearly the public benefits they are producing, for example through a simple plan;
- take a pride in the important role they are undertaking as professional land managers and in the public benefits they are providing;
- recognise that the public, as consumers and as funders of payments through their taxes, have a right to a voice in deciding what these public benefits should be – for example, this might include local involvement in agreeing the local menu of outcomes which receive incentive payments.

Society

Consumers should:

- understand the relationship between the products they buy and the maintenance of an attractive, economically vibrant and socially inclusive countryside (both in the UK and in other countries) so that they can make informed choices;
- demand better information on the extent to which the products they buy support high standards of environmental management and animal welfare, and act on it.

More generally people should:

- respect the restraints (for example in where they can walk in the countryside) which land managers need to impose;
- be prepared to support long term public funding for land managers in return for public benefits – recognising that economic circumstances will prevent most land managers providing the extent of public benefits sought as simple by-products of commercial activities.

Mechanisms

How might our vision be delivered?

For most of the last forty years, the presumption has been that a combination of market forces and the intervention of national (then European) commodity support policies would deliver the non-market benefits society demanded from land managers – clean water, biodiversity, support for rural communities etc – in addition to the market benefits of high quality, reasonably priced food.

That outcome has not, however, resulted from the policies and support mechanisms applied. So we have seen a trend towards:

- the provision of basic non-market benefits by regulation – for example, pollution control and animal welfare; and
- incentive mechanisms which specify additional benefits in detail as part of an individually negotiated contract with the land manager – for example, Environmentally Sensitive Areas, Countryside Stewardship, Wildlife Enhancement Scheme.

Neither of these approaches can deliver our strategy. There will be a limited place for them. But it would be impossible to regulate to achieve many of the public benefits which society expects. It would also be impractical, because of the scale of bureaucracy, to look to individually negotiated contracts for every farm holding. The bureaucracy would be too expensive, too slow and originality would be stifled.

We need innovative thinking to design new mechanisms which will deliver the benefits society expects from its financial investment in land management, while giving land managers the control and flexibility which will encourage entrepreneurial flair and originality. Two approaches, applied in combination, seem most promising.

Local strategies to deliver public benefits

Local authorities would be required to prepare a land management strategy as part of a new style of community strategy. The basis would be the Countryside Agency/English Nature Countryside Character Areas. The strategies would identify the things required of land managers in each Area to maintain and enhance a range of non-market benefits covering soil and water conservation, biodiversity, landscape character, and access for recreation, but they would not be detailed prescriptions for individual tracts of land. The strategies would also set

out the rate per hectare which would be available to farmers prepared to deliver the benefits specified – with different rates available in different areas according to the different objectives for the character areas, or parts of them.

For their part, land managers would prepare a plan for their holdings showing how their management would deliver what the strategy identified. It might also cover rural development issues such as the re-use of farm buildings. The plan would trigger financial support from the local authorities. The plans would not be subject to approval in advance of payment. An independent land management audit service would, however, examine a sample of plans and the associated outcomes on the ground each year. There would be awards for outstanding success and penalties for failure. To ensure desired outcomes, this support would need to be matched by a substantial programme of training and advice.

Creating a market for non-market benefits

A proportion of the funds which currently go direct to individual farmers for commodity support would instead be made available to public bodies to create a market in what are currently non-market benefits. A good example would be flood prevention. One of the proposals in a flood prevention plan for a town might be the creation of 200ha of flood plain water storage upstream. The relevant public authority would put this out to tender against which land managers in the right locations would bid. The best value tender would be accepted. A similar process could cover the creation of new habitat, new access for recreation etc.

Translating this outline approach into detailed mechanisms to deliver our vision for sustainable land management will require a lot of work. Amongst other things, it will be essential to involve the public. People would need to understand that significant changes, sometimes in unpredictable ways, may result in landscapes they value – but which cannot be sustained at reasonable cost. However the overall direction would be positive and, crucially, the process would be more locally accountable.

Outcomes

Our vision for the next ten to twenty years is one of beneficial change, as land management moves on from its present difficulties and establishes a new sustainable future. We conclude with three sketches of hypothetical holdings illustrating the changes which might occur by 2020. Our views will evolve as findings emerge from our land management initiatives and other work.

Possible outcomes by 2020 – some sketches:

Arable Land Management characterised by:

- **a varied, changing landscape** including new crops to offer profitable returns;
- **all land managers having a good understanding of the new ‘duty of care’ for arable land** which places a particular importance on the need for soil and water conservation;
- **approximately two thirds of farm land managed either according to the principles of Integrated Crop Management (ICM) or with organic status:** this has proved to be an important means of achieving ‘added value’ for produce that is mainly traded on world markets. Businesses are strongly supported by agronomists and other advisers who have been instrumental in the wide uptake of ICM;
- **well managed existing woodlands and new native woodland established on less productive land;**
- **improved habitat management which has halted the decline of specialist farmland birds** e.g. lapwing, and other wildlife e.g. brown hare;
- **practices aimed at protecting historic and cultural features and enhancing the character of the countryside are frequently visible.** For example, new beetle banks and hedgerows are common while existing ditches, hedgerows and veteran trees are protected with grassy margins;
- **many people now working from small business units that have been created from redundant farm buildings;**
- **local people buying some of their food, mainly vegetables and fruit, from farm shops.** Through this more regular contact with growers, most people understand the differences and the relative merits of the various labels they see at their supermarkets;
- **many local residents taking advantage of the recreational opportunities offered by the public rights of way system** and more of these users are volunteering their time to ensure that the quality of the access remains high.

Lowland Pastoral Land Management characterised by:

- varied land management practices, generally based on mixed, rather than specialist enterprises;
- previously ‘novel’ enterprises such as vineyards and the growing of herbal and pharmaceutical products have become more widespread and a number of once traditional practices are now being revived. For example, new commercial orchards are being planted and woodland is being actively managed, supplying timber to local sawmills and industries;
- substantial areas of energy crops grown to generate heat and power in local power stations, factories and community facilities;
- a predomination of sheep, beef and dairy systems despite the other changes, but run at lower intensity and with low capital overheads and including more local breeds. Most also have organic or Integrated Farm Management (IFM) status, achieve high standards of animal welfare and are producing for local markets;
- direct sales through farm shops, farmers’ markets and box schemes are common while many other producers have developed strong links with traders in their local market towns. The wide variety and high quality of local products, together with their obvious links with the character of the local countryside, is an added attraction for tourists to these areas;
- many land managers having taken advantage of this market to supply other goods and services in the form of recreational opportunities e.g. fishing and farm trails, alongside the more traditional holiday cottages and farm house bed and breakfast;
- many more land managers involved in management aimed at the conservation and enhancement of the character of the countryside. A visible example of this is the active management of previously neglected field boundaries. Other less visible, but important, changes include the revival of traditional management techniques on wet pastures and species rich hay meadows.

Upland Land Management systems characterised by:

- **traditional enterprises of beef and sheep production generally run as extensive systems;**
- **environmentally sustainable grazing levels.** These have improved the quality of heather moors and unimproved pasture and have led to an increase in numbers of upland breeding birds;
- **dry stone walls in good repair and historic features actively managed;**
- **increasing areas of land managed primarily for nature conservation as ‘managed wilderness’;**
- **extensive restructuring of former conifer blocks is almost complete.** Some areas now contain large areas of new, relatively low intensity, woodland which has developed slowly, either through natural regeneration or with minimum levels of management;
- **many land managers having achieved added value based on branding** which reflects the high standards of environmental management that they practise;
- **active co-operation between land managers and local processors,** working together to ensure a consistent supply of high quality produce for their own direct sales enterprises in addition to local and national markets, and hotels in the area sourcing food locally. Machinery and labour rings are common and help to ensure capital costs are kept to a minimum;
- **rural development support which has stimulated the development of new and alternative enterprises.** These include planting new native woodlands and small businesses that process local woodland products, game, etc., for specialist markets;
- **more novel, co-operative enterprises,** including contracts between water companies and land managers across a single water catchment that ensure management standards result in a high quality water supply and reduced flood risk;
- **open access to unenclosed mountain, moor, heath and common land is an accepted practice,** supported by strategically placed new access infrastructure;
- **many land managers have taken advantage of the opportunities presented by visitors,** by developing Bunkhouse barns from redundant farm buildings, supplying bed and breakfast facilities, and offering other recreational opportunities such as pony trekking, fishing and activity based holidays.

Annex 1

The current position, drivers of change and the farmer's response

Land management practices, over the centuries, have created the unique quality and diversity of the English countryside, and farming and forestry today continues to have a vital role in maintaining these qualities. However, changes in land management over the last 40–50 years, and especially intensification of agricultural production in response to the policies of the time, market-induced technological developments and structural change, have resulted in the widespread destruction of the features society increasingly values. There have been major losses of downland, heathland, flower rich meadows, hedgerows and hedgerow trees, ponds and ancient monuments, and a steep decline in the numbers of characteristic farmland birds and butterflies. The Countryside Survey 2000 indicates that for some habitats further losses are being stemmed and in the case of hedgerows and ponds possibly reversed. The biological quality of streams and small rivers has also improved over recent years. But over much of the countryside the landscape and wildlife remains impoverished.

Structural change has seen a continuing trend towards fewer and larger farms and more intensive and specialised production systems. A result is a decline in mixed farms and polarisation with larger mainly arable farms in the east and more extensive pastoral farms in the north and west.

Land management, particularly agriculture, has become ever more productive. However, as other elements of the economy of the UK have grown even faster, agriculture's contribution to the nation's Gross Domestic Product has steadily declined to around 1%, although it remains more significant in the more rural counties. At the same time, the central role that land managers once played as the backbone of rural communities has greatly diminished as the number of land managers has fallen. There were over 700,000 farmers in 1945 but only 200,000 in 1999, and employment is still falling.

Well managed land contributes directly and indirectly to regional and local economic prosperity by creating high quality and diverse landscapes, contributing strongly to the identity of places and the products and services they offer. Such landscapes attract domestic and foreign visitors, provide the basis for other activities – particularly tourism and leisure, and encourage investment in the countryside from new and relocating businesses looking for an attractive environment in which to operate and retain staff. Well managed land also underpins the renewable use of natural resources, for example storage and use of

water within the catchment. It can help to mitigate the causes of climate change too through carbon sequestration in soils, and also its effects where well managed soil can slowdown runoff during rainfall, so reducing the intensity of flood events.

Drivers of change

Economic forces, technological developments, policy changes, climate change and the aspirations of landowners are likely to be the main drivers of further changes in land management. But there is also a need to address environmental concerns such as loss of biodiversity and landscape features, diffuse pollution, aquifer depletion and damage to soils, and pressures for greater access to the countryside.

Economic forces

Economic forces directly affect land management. Currently, the Euro is weak in relation to the Pound. Prices of home produced produce are often higher compared to the generally low level of commodity prices world wide. Some export markets have been lost because of recession in other countries or export bans on products. Supermarkets have become the dominant players in the food retail market. Consumers are buying more convenience and snack foods which can be prepared quickly and are prepared to pay a relatively high price for these. There is a greater interest in foods which are thought to contribute to a healthier diet, such as organic products. At the same time, more and more meals are taken outside the home.

Some of these trends have benefited the incomes of land managers. However, their cumulative effect and other economic pressures has resulted in an erosion of real income to land managers. At the same time, the more exacting requirements imposed by processors, retailers and government regulations have increased the costs to producers. Much of the agricultural industry is currently in difficulties and net farm incomes are as low as at any time during the last 30 years and down 60% since 1995. Over 50% of dairy, lowland beef and sheep producers, and upland farmers are thought to be farming at a loss. Even amongst the more profitable cereal sector, net incomes are much reduced.

The economic forces described have focused on the short term. In the longer term, some upturn in profitability can be expected. However, pressures on financial margins, in all sectors, are likely to remain.

Technological developments

Agricultural productivity is likely to continue to grow, with the introduction of new crop varieties (not to mention the possibility of widespread adoption of GM technology). At the same time, improved management techniques are being adopted more widely, such as

Integrated Crop Management and precision farming. Together with increasing use of ICT, improved management techniques should result in the better targeting of intervention, maximising outputs while reducing costs. New uses for conventional crops are being developed and there is increasing interest in crops for industry. Another growth area is likely to be in crops for energy, including short rotation coppice and oil seeds for biodiesel. Advances in GM technology and in breeding programmes may be forces for good, but such developments need to be subject to full risk assessment before being rolled out.

Policy change

By far the most dominant and influential funding support for land management is through the Common Agricultural Policy (CAP). Reforms of the CAP in 1992 and more recently under Agenda 2000 have reduced market subsidies for many of the main agricultural commodities in a move to reduce EU prices and bring them closer to world market prices. Farmers receive partial compensation for these changes in the form of increased direct payments. Part of the CAP budget is now used to fund a new Rural Development Regulation (RDR). This includes measures designed to improve environmental management of farm landscapes and habitats, provide support for forestry and hill farming, encourage better marketing and processing of agricultural products, encourage rural enterprise and offer training opportunities.

The EU budget for the RDR is fixed until 2006 but the Agenda 2000 reforms allow individual Member States to increase their RDR budget by applying 'modulation'. This means allowing Member States to redirect up to 20% of CAP commodity support payments into the RDR budget. However, such money may only be used on certain of the RDR measures – the agri-environment schemes, support in Less Favoured Areas and afforestation of farmland. So far only the UK and France are applying modulation. In the UK, the money raised by modulation will rise to 4.5% of support payments by 2006 and is matched with new Exchequer money.

While the measures under the Rural Development Regulation have been widely welcomed, they represent only the start of the process of reorienting CAP payments away from production support towards rural development.

Political pressure for further change in the CAP is coming from three main directions:

- **changing consumer/public perceptions** – there is increasing recognition that public subsidies need to provide demonstrable public benefits. The public value placed on farming, based on historic food security needs and the large numbers employed in the industry, no longer carries the same weight it once did. The special status and support given to farming, compared with other

industries, is being questioned as is the basis of the support system. Production-related support is costly and contributes to environmental damage, while keeping the costs to European consumers of some products above world prices. The system also lacks transparency;

- **European Community enlargement** – the future accession countries, from Poland to Romania, have large, relatively undeveloped agricultural sectors. The budgetary consequences of subsidising all the farmers in an enlarged European Community (up to 12 new Member States) in the same way as the EU 15 farmers are currently supported would be very costly. This is likely to be a spur to reform of the CAP;
- **the World Trade Organisation (WTO)** – the removal of barriers to free trade is likely to have a significant impact on agriculture across Europe. The current system of commodity payments is seen as trade distorting, and the EU is under considerable pressure from other WTO members to change. Despite the lack of progress over a new agriculture agreement at the 1999 Seattle Ministerial conference, agricultural negotiations have begun. These are likely to lead to further commitments to improve market access and reduce domestic and export subsidies. The EU has already undertaken to negotiate towards such commitments and this is a further lever towards reform of the CAP.

Changing physical conditions

Land managers will have to contend with the uncertainties of changes in our climate. A warmer climate would open up new opportunities, extending the growing season and allowing new crops to be introduced. However, it would also bring with it potential threats, from new pests and diseases to more frequent droughts, floods and other weather extremes. Other scenarios of climate change suggest warming oceans could lead to a shift in the gulf stream drift, leading to colder winters.

Land manager constraints and aspirations

The pattern of land ownership is changing with 'new' owners often buying land for lifestyle reasons. In 2000 nearly 40% of farms over 20 ha changing hands were being bought by new entrants to the land market or by existing non-farming landowners. The objectives for land of many of these owners are likely to be quite different to those of full time farmers and forest managers, with amenity considerations a high priority. Conservation organisations are also increasingly active in owning and managing land. At the same time, many traditional landowners have had to take a more commercial view of their role in the light of economic pressures. Small family farms and tenant farmers have been particularly badly hit by the current difficulties facing farming.

Environmental concerns

There is growing interest among the public about the way the countryside is managed. More people are choosing to live there and the popularity of walking and visiting the countryside remains as strong as ever. This has led to an increasing awareness of the impacts of agricultural management practices on the environment. Practices that are viewed as being more environmentally sustainable, for example organic production methods and direct selling through farmers' markets, are being well supported by the public. At the same time, the cost to the taxpayer of removing pesticides, pathogens, nitrates and phosphates from drinking water is rarely considered; nor are the consequences of increased water runoff from damaged or compacted soils, or the costs of removing eroded soil from roads and watercourses.

The farmers' response

Farmers are already responding to these drivers of change and a number of distinct strategies are being followed.

Producers operating within the main commodity markets are focusing on further cost minimisation. Approaches include:

- cutting maintenance and investment;
- enlarging the holding or amalgamating holdings to benefit from economies of scale;
- cutting labour;
- increased production;
- increasing use of contractors and machinery rings;
- precision use of inputs;
- integrated farm management techniques;
- further specialisation;
- investigation of the potential of new crops and new technology.

More producers are looking to 'add value' to their products.

This includes producing goods that attract a premium (e.g. organic, conservation grade, animal welfare), finding new uses for by-products, undertaking more of the processing on farm, and marketing directly to the public (for example, through farmers' markets, farm shops, mail order and increasingly e-commerce).

Many farmers are now diversifying into alternative products and markets, and are developing non-farm uses of their buildings and land. Diversification has included, for example:

- bed and breakfast;
- holiday lets;
- recreational activities;
- light industrial units.

New opportunities might include:

- water management and flood protection;
- carbon sequestration in soils by building the organic content;
- shops and services;
- IT businesses;
- food processing.

In situations where alternative work is available, **many farmers are managing their business as a part-time enterprise**, supported by additional non-farm income. The Rural White Paper notes that 60% of farmers now have a source of off-farm income.

Some farmers are leaving the industry altogether, through early retirement, bankruptcy or by selling their land or farmhouse, realising its capital value.

There is the potential for both negative and positive consequences to occur as a result of increasing numbers of farmers following these strategies.

The negative consequences could include management practices that are low cost but unsustainable leading, for example, to aquifer depletion, pollution, soil erosion and poorer standards of animal welfare. Diversification into activities that do not contribute positively to the character and diversity of the countryside could lead to conflict with others whose businesses rely on this asset, e.g. local tourist businesses. The continued shedding of employment on farms could further reduce links with local communities and lead to a loss of rural skills and a reduction in labour available for conservation management activity. Farms being amalgamated into neighbouring holdings or divided up into small holdings and developed could result in locally distinctive features being removed or left unmanaged and conflicts arising from new development.

The positive consequences could include a greater number of income streams than in the past leading to greater security, new business skills, and approaches to land management that involve integrated farming techniques and precision use of inputs which should be better for the environment. Moves to add value to products locally would create new jobs and retain within the community a greater proportion of income generated.

The challenge is to maximise the benefits of change to the economy, the environment and to local communities and to minimise adverse impacts. Land managers need to be encouraged to respond to the opportunities available for beneficial change.

Annex 2

The Countryside Agency's role

The unique remit of the Countryside Agency places us at the centre of any debate over how the countryside is managed. We have three main aims:

- to conserve and enhance England's countryside;
- to spread social and economic opportunity for the people who live there;
- to help everyone, wherever they live and whatever their background, to enjoy the countryside and share in this priceless national asset.

Our role is to help guide change to achieve the best for the English countryside.

Our task is to demonstrate what sustainable development means in practice, and through research and by demonstrating ways forward through practical projects, to help make sustainable development a reality.

A significant part of our current strategy and programme is already directed towards achieving the vision outlined in this paper, notably our 'Eat the View' programme, our Land Management Initiatives, our joint research and influencing work on land use policy with the other GB countryside agencies, work on farm diversification, and our work in support of the England Forestry Strategy.

'Eat the View'

Under this programme we are working to influence consumers so that they will buy more local products and particularly products that help reinforce the character of the countryside.

We are supporting the National Association of Farmers' Markets, the regional food groups, the Farm Retail Association and projects to develop local food economies; and we are working to develop links between National Parks and AONBs and products from their areas and to promote local products as part of the tourism experience.

Land Management Initiatives

Working with farmers, local communities and others, we are developing a series of area based projects to investigate the problems faced by land managers. The aim is to research and demonstrate practical solutions to the challenges of managing land sustainably so that it produces a wide range of economic, environmental and social benefits.

Nine projects cover arable areas, the uplands and lowland pastoral countryside.

While the focus of the LMIs is land management, as an integral part of the way forward the projects are assessing the needs of communities beyond the farm gate and are reviewing the policies, mechanisms and structures necessary to help farmers and others satisfy these needs.

Research and influencing

To maximise influence in policy development, we are working with the other countryside agencies in Great Britain (Countryside Council for Wales, English Nature and Scottish Natural Heritage and the JNCC) and with the Environment Agency.

As the Land Use Policy Group (LUPG), we are jointly conducting a programme of research and policy development in order to build a common view of desirable reforms related to land use, particularly that related to farming and forestry. Examples include research on rural development across Europe, structural change in agriculture and opportunities for new woodlands. Our views are promoted at the UK and European levels through seminars and meetings and through producing joint publications and policy statements.

Farm diversification

Diversified farm businesses will be a key component of a prosperous agricultural sector in the future. For this reason, we are engaged in research to establish the most effective way of delivering business advice to farmers, and of integrating this advice with environmental and planning advice.

In the North West and the South East, for example, we have been working with two successful farm diversification projects to identify best practice. This information is being presented to the Small Business Service in order to help shape the national approach to advising farmers, both on new ventures and on improving the profitability of existing businesses.

Woodlands and Forests

We wish to see woodlands and forests play a larger role in rural development and in the diversification of agriculture. We will play our full part in delivering the actions from the Government's England Forestry Strategy.

