Rural Economy Market Assessment 2009

Description: Farming is the crux of the UK's rural economy, but between the late 1980s and 2007 it was in decline. The total agricultural workforce fell by more than a quarter, and total value added at current prices dropped by more than a fifth. The slump was a consequence of globalisation.

By 2008, the UK Government began to attach more importance to the role of the countryside in providing the UK with a degree of security in food and fuel supplies, but farmers themselves were finding it difficult or impossible to cope with higher production costs.

Organic farming made rapid headway in the early 2000s, but in 2008, food shoppers — whose disposable incomes were under pressure — ended the advance of organics as they traded down to cheaper alternatives.

Farmers' concerns currently include: EU plans to ban the majority of pesticides in use; the rising cost and declining availability of livestock feed that is not genetically modified (GM); and uncertainty as to whether there will be any financial support from the EU from 2013.

Food security is a controversial subject in the UK, and does not appear to be regarded as a top priority by the Government, although organisations such as the Soil Association want more emphasis on domestic food production.

As a member of the EU, the UK cannot unilaterally introduce its own schemes to promote farming and rural enterprises.

Genetic modification is the most controversial technology in farming. Agri-corporations expect GM to provide the extra yield to feed approximately 1.7 billion more people by 2033, but undesirable consequences — such as unplanned gene transfer and recombination, and health problems — have already occurred.

While GM has the potential to accelerate the industrialisation of the countryside, poor communications infrastructure pulls the opposite way.

The statistic that 99% of the UK population have access to broadband is misleading. The overall total of fixed line telephone subscribers who cannot access broadband (other than satellite) because of the length of their telephone line may be around 5%, heavily weighted towards country locations. Rural businesses that are unable to upgrade their communications are at a growing disadvantage trying to compete with businesses that have access to current technology. The closure of rural post offices compounds these problems. The attractions of rural areas for home working and micro-businesses are in danger of being outweighed by the drawbacks of patchy and non-existent communications services, lack of capital and the widespread absence of public transport, which enforces reliance on private cars.

With regard to land-based industries, forests create very few jobs, and if they are to contribute more to rural employment, timber processing needs to increase. The slump in housebuilding in 2008 is likely to reduce import demand in 2008 and 2009, restricting opportunities for new timber processing. Biofuel crops compete for space with food crops and use up large quantities of energy in their production and manufacture. The use of crop wastes, rather than the crops themselves, for fuel is promising. Biofuel production will inevitably create thousands of jobs between 2008 and 2018. The UK does have the advantage of windy weather conditions, but onshore wind farms offer little employment, although they will have an essential role in future electricity generation. The racing industry has considerable impact on the rural economy in areas around racecourses and large training stables. The industry is endeavouring to continue growing at a time of low overall economic expansion.

Tourism overall is worth nearly six times more than agriculture to the UK economy. 'Sustainability' has been the key marketing word recently, but holidaymakers often want more luxury than is truly sustainable, and businesses generate more revenue from customers who make many purchases than from those who seek to be self-sufficient.
New consumer research conducted for this Market Assessment report shows much higher levels of concern about food and farming than our previous survey in 2001. There is almost total agreement that a successful farming industry is important for the UK. The public values British agriculture to a much greater extent than in 2001, although this is tempered by a majority view that farmers lack marketing skills to promote their produce well.

The world's agrochemicals and seeds commerce is mainly in the hands of conglomerates, which in many cases are US based. Agricultural commodity purchase and processing is also concentrated in the hands of global companies (such as ADM, Bunge and Cargill). The UK retains a leading role in machinery manufacture with JCB. The UK's major retailers of UK food, unlike the agrochemical and seeds companies, are British, with the exception of Wal-Mart's ASDA.

Recent trends suggest that the next stage for the rural economy is the 'corporatisation' of food production, with farms being purchased for corporate farming, and no room for the family enterprise. However, there are now factors pulling hard in the opposite direction, including long-term price rises for oil, and climate change. The leading supermarket chains are implementing policies for greater sustainability and for more local procurement, and these policies should affect the activities of agrochemical and agribusiness companies as they permeate supply chains.

More farmers' markets and a revival of co-operatives would benefit the rural economy. Biomass from land not suitable for food crops would also be beneficial. Medicinal crops are also a future growth sector, to augment and eventually replace oil-dependent pharmaceuticals. Hemp, which provides fibres for clothing and building boards, seeds for food products and for oils, has the potential to become a major crop in the UK. Potatoes grown for biodegradable packaging and other industrial crops also have promising futures.

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