Agriculture in the National Framework

This chapter explains, in the broadest of terms, what the UK agricultural industry is and how it fits into the national economy. The intention is to give an overall picture of the industry so that the more detailed chapters which follow can be set in context. Because UK agriculture is part of the broader agriculture of the European Community, to which a common policy is applied, it is valuable to compare the position of farming in Britain with that found in other member states. Many of the changes happening in British and European agriculture have parallels elsewhere in the world. Indeed, to appreciate the position of agriculture in the UK’s national framework it helps to have an awareness of the process of general economic development, the role which agriculture plays in this process and the changes which occur in the agricultural industry as a country grows and becomes richer. We start, then, with an overview of British agriculture but progress to the European Community level and then the world scale to give the national scene some perspective.

5.1 A Broad Introduction to UK Agriculture

Some basic statistics are useful for setting the scene in our discussion of agriculture’s place in the national framework. Agriculture currently occupies four-fifths of the UK surface area, engages 3 per cent of the working population, accounts for 3 per cent of total investment, is responsible for 4 per cent of all borrowings, generates 2 per cent of Gross National Product and supplies 62 per cent of the nation’s food supplies, or 82 per cent if only those food products which are grown commercially in significant quantities in the UK are considered. Agricultural products in the form of food and feedingstuffs constitute 4 per cent of the country’s total value of exports and 10 per cent of its imports.¹

B. Hill et al., *Economics for Agriculture*
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Exaggerated claims are often made for the national importance of agriculture. It is sometimes talked of as the country's biggest industry, and in some ways it is. In terms of land area, agriculture clearly uses more than other types of production, although it could be argued that tourism and recreation in the countryside are spread even more extensively. On the other hand, agriculture engages only one worker in 40 and creates an even smaller fraction of the nation's income. Obviously no single figure can adequately represent agriculture's relative importance; this will depend on which particular aspect of national life is being considered and will vary according to whether output, use of resources such as capital or labour, environmental impact or exchequer support is taken as the yardstick. In rural areas agriculture's importance is obviously greater than at the national level, although even here there are popular misconceptions which overestimate its role as a provider of employment or income. The importance of agriculture can also be seen differently when viewed dynamically: for example, in periods when the nation's balance of payments has needed improvement, farming has often been given a prominent expansionary role as an import-saving industry out of proportion with the contribution it normally makes the national economy.

The term 'agriculture' requires some clarification. It is used here to include horticultural activities but excludes forestry and fishing, although sometimes in official statistics these latter two activities are bracketed with agriculture as a primary-industry group, and as forestry is in some areas a competitor with farming for land it is necessary on occasion to consider agriculture and forestry together. 'Agriculture' is conventionally thought of as terminating at the farm gate, hence the alternative name 'farming industry', so that the ancillary industries such as animal medicine, farm machinery and chemical manufacture and distribution are excluded, as are also the food distribution and processing sectors.

In an increasingly integrated economy, sectoral divisions are often arbitrary and sometimes meaningless. However, the degree to which linked activities can be considered as dependent on or an integral part of agriculture must vary with the type of activity. For example, while food retailing undoubtedly uses some food produced in the UK, it is not dependent to the extent that no alternative sources of supply could be drawn upon. Thus when the National Farmers Union tries to demonstrate the importance of British agriculture as a provider of jobs, it has some justification in going beyond the 633 000 people who are farmers or farm workers. It points out that there are 400 000 jobs in industries such as machinery and fertilisers which supply British agriculture with inputs – although one must add the caveat that they also export some of their output. Going further, some 375 000 jobs exist in the food and drinks industries, whose inputs come from UK farmers, and a further 820 000 work in the food retail and distribution sectors. However it would be a