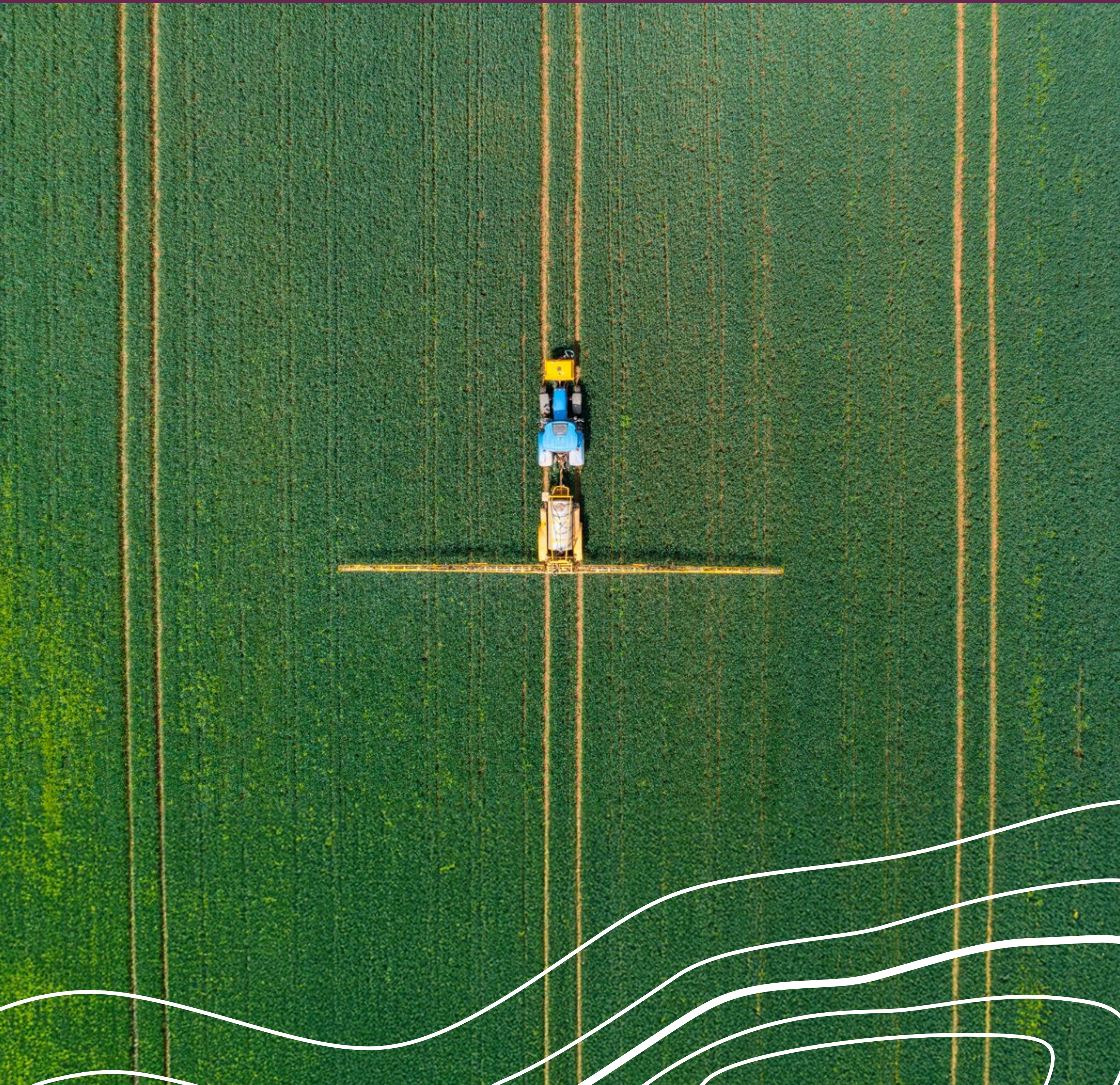
Food, Farming & Countryside Commission

MARCH 2025

# Paying the Price

## Cheap food, big business and the cost to farming and food security



# Acknowledgements

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# Executive Summary

Britain's food has been cheapened for decades. In the push to produce low-cost calories, farmers' incomes have stagnated, a small number of companies now dominate Britain's food chain, and immense costs to people's health and nature have piled up. In a volatile world facing the effects of climate change and turbulent politics, the country's long-term food security is at risk.

This is the second of two reports from the Food, Farming and Countryside Commission seeking to provoke an honest conversation about food, money and power. In the first report, *The False Economy of Big Food*, Tim Jackson estimated that unhealthy diets were costing the UK £268bn a year. The investment required for everyone to eat well is far smaller, but the power of a handful of multinational manufacturers is stopping real change. This report turns to the farmers and the food chain that keep Britain fed.

Farming has shot up the political agenda. The government's October 2024 budget reduced agricultural property relief, sparking fierce protests. Campaigners said most farms were not sufficiently profitable to cover a tax bill of any size, threatening the future of family-run businesses. This has followed a torrid few years for agriculture, including an unprecedented spike in input costs, the wettest 18 months on record and the end of EU farming subsidies. Governments across the four nations are developing new strategies for food, farming and land.

This report seeks to answer three simple questions. Why have farmers felt squeezed by the push for cheaper food at all costs? Why is this a problem? And what should be done?

**The report finds that:**

- Farming incomes have barely improved in real terms since the 1970s, despite improvements in productivity and a significant fall in the farming workforce
- Farmers have been caught on the 'agricultural treadmill', forced to scale up or intensify to maintain their living standards, while tens of thousands of farms have fallen off the treadmill altogether
- This process has been driven by falling prices for farm produce, as the UK has become more reliant on imports, supermarkets have taken over grocery shopping, and households are eating more ultra-processed food
- Outside agriculture, most of the links in Britain's food chain – from catering to retail, to animal feed, fertiliser and tractors – are dominated by a few very large companies, many of which are subsidiaries of global agri-business giants
- This extreme consolidation means farmers have little bargaining power, small firms struggle, and the biggest corporations exert a strong influence on government policy, all of which locks the food system into dysfunction

- While consumers have benefited from lower grocery prices, the long-term squeeze on farming profits and the concentration of corporate power has had major costs, especially on rural communities and the natural environment, and allowed value to be extracted by financial interests
- The country's reliance on a shrinking number of larger farms and a handful of major businesses is a risk to food security and resilience in a world suffering the effects of climate change and unstable geopolitics
- Farmers trying to change their practices and co-operate, and businesses producing healthy, sustainable food, need the government to tilt the playing field in their favour

This report's core recommendation is that the Westminster government's forthcoming food and farming strategies should explicitly address the problem of cheapness. Healthy food needs to be affordable and available to everyone, but long-term downward pressure on food prices hasn't achieved this and has come at a cost to people's health, nature and the planet. Political leaders need to change the rules of the game, so that growing healthy, sustainably grown food in ways that build food security and resilience is properly rewarded. Financial returns need to flow to where real value is being created, to farmers that regenerate natural resources, to local communities, and to businesses selling healthy food.

In policy, narrow interventions focused on farmers or supply chain profits will not lead to lasting change. Action is required across government, with critical levers in the hands of ministers overseeing tax, health, trade, education, welfare and housing, as well as Defra. Most potential policy tools are well known, but need to be co-ordinated with a view to their system-wide impact. Government should explore and test bolder measures, such as setting core standards in trade deals around environment, health and animal welfare that are tied to UK farming policy; establishing a Food Market Regulator with a public value remit; and targeting agriculture spending towards priority sectors such as fruit, vegetables and pulses.

# 1. Introduction

Britain's food has been progressively cheapened. While big business and finance are profiting, the public and farmers are footing the bill.

Households in the UK spend less on food than almost anywhere else in the world. They buy nearly all of their groceries from supermarkets competing fiercely to offer the cheapest staples. Those retailers' shelves are stocked by efficient supply chains that reach across the globe. Highly productive farmers, both here and overseas, generate raw materials for an industry manufacturing a plethora of drinks, snacks and speedy meals, providing convenient fuel at the lowest possible price.

This version of cheapness is expensive.[1] The real price is being paid in people's health, in farming communities, by our wildlife, air and waterways, and in Britain's ability to feed itself in the long run.

This is the second FFCC report aiming to provoke an honest conversation about food, money and power. The series seeks to raise questions that are rarely asked in run-of-the-mill industry and political debate. What is the real economic cost of the dysfunctional food system? Who is benefiting from the status quo and who is losing out? What change is required to make the food system healthy, resilient and fair?

In the first report, *The False Economy of Big Food*, Tim Jackson examined the cost of unhealthy diets.[2] People in the UK do not eat enough wholegrains, fruit and vegetables, and consume too much sugar, salt and saturated fat. Healthier foods cost more than unhealthy options, and the gap has widened in the past couple of years.[3] Ultra-processed foods, such as crisps, frozen pizza and cakes, provide more than half of the energy the UK population consumes, one of the worst rates of any country.[4] Poor quality diets are connected to a worrying rise in obesity and chronic conditions such as diabetes and heart disease. Jackson estimates this is costing £268bn a year in direct costs (treating diet-related diseases) and indirect ones (such as diminished quality of life and lost productivity). The investment required for everyone to eat well is much smaller. But the reticence of politicians combined with the power of a handful of multinational manufacturers is preventing genuine change.

This report turns to the farmers and the food chain that keep Britain fed.

Since the Second World War, Britain's farmers have stepped up to the challenge set up by government and industry, of producing the highest volume of food as cheaply as they can. But falling food prices have left those farmers competing for a slice of a shrinking pie, as they try to protect their income. For most, the only choice has been to scale up, to farm more intensively, or to subsidise their business through second jobs or diversifications, like holiday cottages and farm shops. Tens of thousands of smaller farms have disappeared. The big ones that remain find it no easier to stay afloat. To buy their fuel and fertiliser and to sell their grain, meat and milk, farmers have to deal with a supply chain dominated by a small number of huge firms, many of them multinationals. The pressure to keep food as cheap as possible has also forced those same businesses to get bigger in order to survive.

In the autumn of 2024, the difficulties of farming shot up the political agenda. The government's October budget included the reduction of agricultural property relief, which had previously allowed farming businesses to pass on their assets free of inheritance tax upon the owner's death. This sparked intense protests, including mass tractor rallies outside Downing Street. Campaigners argued that most family-run farms were not making sufficient profits to cover a tax bill of any size. The next generation would have to sell off land, making their businesses unviable.

The protests have followed a torrid stretch for agriculture. After Russia's invasion of Ukraine, the cost of every farm's major inputs soared. Energy, fertiliser, animal feed and diesel prices collectively rose 38–50% in the five years to 2024.[5] The UK has just suffered the wettest 18 months on record, followed by the second worst harvest in 40 years.[6] Britain's departure from the European Union required the largest change to agricultural policy in living memory. Direct cash payments that support farmers' incomes are being phased out, in favour of new regimes in England, Scotland, Wales and Northern Ireland. In England, the government announced in October that the old payments would wind down faster than expected, unsettling farmers' business planning further.

More farms going bust would not immediately hurt the country's ability to feed itself. Farms have been getting bigger and their numbers have been falling for centuries. But the challenges of the last few years are symptomatic of an unstable, more dangerous world. Climate change is making weather patterns more extreme. Global politics is volatile. Britain's ability to grow and buy imports from abroad can no longer be taken for granted. Meanwhile, the damaging effects of the modern, industrial food system on people's health, wildlife and the planet are becoming more apparent. Against this backdrop, the rapid consolidation of Britain's food supply begins to matter much more. The country's long-term food security is at risk.

This report seeks to answer three simple questions. Why have farmers felt squeezed by the push for cheaper food at all costs? Why is this a problem? And what should be done?

After this introduction, the second section looks at the level of profit across agriculture, particularly from growing food, and how farming incomes have barely improved over the past 50 years. To protect their livelihoods, farms have been forced to get bigger, intensify or find other income. The third section explores what's driven this treadmill: while British farms have become more productive and efficient, the value of their produce has fallen. As the fourth section shows, farmers have little power to exert their value because they are tiny players in the food chain. Most sectors are dominated by a handful of large businesses, to an extent that is rarely appreciated. The fifth section discusses the impact of the squeeze on farms and the consolidation of food chain power. Consumers have benefited from lower food prices, but farming communities have been stretched to the limit, the natural environment has been degraded, and Britain's ability to feed itself is being threatened. Finally, the report turns to solutions. It argues that narrow interventions will not create lasting change. To raise farmers' incomes while improving food security and ensuring everyone can have affordable, healthy food, it's necessary to recognise 'cheapness' as the problem it is, and to change what's valued in the economy of food and how value is distributed.

While farmers and food businesses will do the hard work of changing how they operate, they need politicians to set the rules of the game. This stormy moment can be a turning point. Governments across the UK are developing strategies for food, farming and land. These plans are a chance to speak plainly about the structural problems in the food economy and how the country's health, prosperity and security can be rebuilt. As The Food Conversation project has shown, the public understand the tricky decisions ahead and want politicians to be brave. They're frustrated by the damage being caused by unhealthy diets and the most destructive farming practices, all in the name of short-term profit. They want their leaders to ensure that good food and good farming are properly rewarded.[8]

# 2. Slim pickings

Since it launched in 2021, the documentary series *Clarkson's Farm* has been a ratings hit. In a ritual at the end of each season, Jeremy Clarkson and his team pore over a rough version of the farm's accounts. Against the background of erratic weather and soaring costs, the returns from the 1,000-acre arable operation are meagre. They send the characters chasing profits through all manner of screen-worthy diversifications, from a farm shop, to mushrooms, to a pub.

Clarkson is not typical. But the travails of Diddly Squat have become pop culture shorthand for the financial challenges farmers face. The presenter has been a figurehead of the protests that began after the autumn 2024 budget. The protests brought a familiar adage under fresh scrutiny: farmers are asset rich, but cash poor. On paper, those who own their farms are wealthy. But the income they can earn from their assets is disproportionately low.

Putting wealth and inheritance to one side, this section asks: is it the case that farming in the UK is unprofitable? Have farming finances been squeezed over time?

The first story that emerges from the detailed government surveys of farming incomes is relatively well known. Profits are low across swathes of British agriculture, especially from growing food.

Take a cereal farm like Diddly Squat. An average farm of this type in England sold £255,300 worth of crops like wheat and barley in the year 2023/24. But the costs of their inputs remained extremely high. This farm spent £57,200 on fertiliser; £37,900 on pesticides, fungicides and herbicides; £17,300 on seed; and £13,300 on fuel. After totting up all the other costs, such as running tractors and combines and paying staff, the business made a loss from its agricultural activities. This was balanced out by subsidies, income from diversification and payments for environmental schemes. The final 'farm business income' was £39,400, a large drop from the previous year.[9] Out of that figure – a measure peculiar to farm accounting – farmers, their families and business partners have to pay themselves, cover tax and reinvest. Sometimes several people and several households rely on that income.

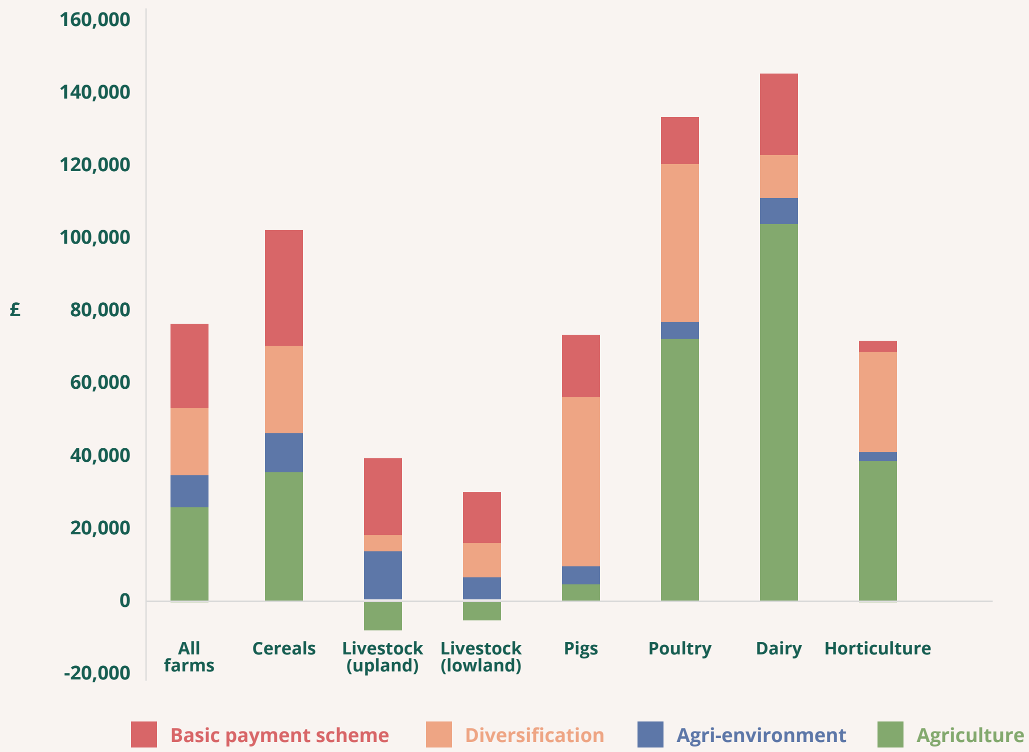
Certain corners of farming are more profitable than others, as Figure 1 shows. Dairy, poultry and cereal farms in England have each generated an average farm business income of more than £100,000 over the past three years (at nominal prices, i.e. the prices at the time, not adjusted for inflation). Across agriculture, farms with a large overall output have generated much bigger profits for their owners than medium and small operations.[10] English farmers have generally enjoyed higher farm business incomes than their counterparts in Scotland, Wales and Northern Ireland.[11]

A large proportion of farms are making much less money. In the most recent figures, 30% of all farm businesses in England were running at a loss and a further 25% were making a farm business income of less than £25,000.[12] Many of those were likely smaller businesses in less profitable sectors. Traditionally, cattle and sheep farms in the lowlands and uplands, and those with a mix of crops and livestock, have recorded the lowest returns.[13]

Farming incomes are heavily subsidised by activities other than growing food. The totals in Figure 1 are broken down by where that income came from. In the last three years, the average income across all types of farm in England was £76,167 (again at nominal prices). A third of that derived from food production. The remainder was split across diversified businesses (24%), agri-environment schemes (12%) and basic payment subsidies (30%) – the latter of which are being phased out. Off-farm employment is not reflected in these figures, but a significant proportion of farming families boost their incomes through second jobs. Extra work is more important for livestock farmers and those with a smaller enterprise.[14]

### Figure 1: Average farm business income on different farm types in England, 2021/22-2023/24

Note: Each column represents the mean farm business income as reported in the Farm Business Survey for England in years 2021/22, 2022/23, and 2023/24, with the income broken down by cost centre. Figures were averaged at nominal prices. Source data: Defra, Farm Accounts in England data sets.



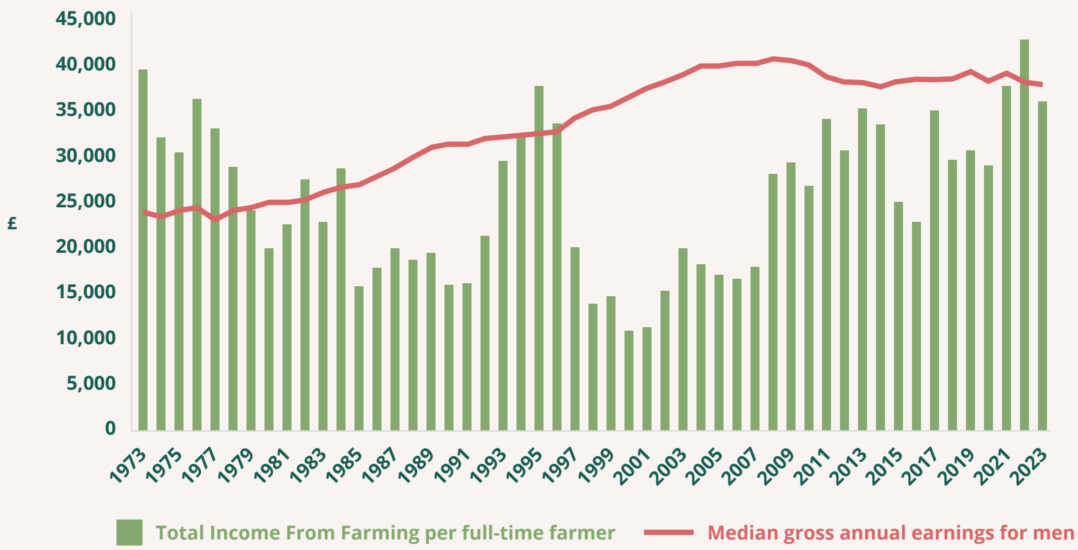
Profits from farming are also low for the level of investment required in land, livestock, machinery and buildings. A typical measure of business profitability is return on capital employed (ROCE). The earnings are calculated by taking farm business income and subtracting an imputed cost for unpaid or family labour. The total capital represents the value of the farm's assets minus its short-term liabilities. In England in 2022/23, the median ROCE on all farms was 0.5%. That year, the median capital employed was £1.6m. That translates to earnings of £9,000 per farm, before any interest payments or tax. This is an average. In the same year, 45% of farms achieved a negative ROCE. For six of the last ten years, this median was also below zero.[15] The sense that farmers are 'cash poor but asset rich' is not new.

The second story the official statistics tell is historical. Incomes from farming across Britain have barely improved over the past fifty years.

A broad gauge of farming's profitability is a figure called Total Income From Farming. It represents the profit returned to all farming business owners in the UK. In 2023, this was £7.2bn.[16] Dividing that figure by the number of business owners and unpaid family workers (on a full-time equivalent basis) gives an indication of how much income is available to each of those farmers on average. As with farm business income, this is before any personal drawings for farmers and their families. Figure 2 shows how income-per-farmer has changed in real terms.

### Figure 2: Income-per-farmer and median gross annual earnings since 1973 (real terms)

Note: The columns show Total Income From Farming in UK divided by the number of full-time equivalent farmers providing 'entrepreneurial labour'; the line shows median gross annual earnings for men in Great Britain; both at 2023 prices. Source data: Defra, Agriculture in the United Kingdom data sets, chapter 4; ONS, Gross Weekly earnings of full-time employees; CPI series, International Monetary Fund (via World Bank) (2025), processed by Our World in Data.



Measured this way, farming incomes track the ups and downs of agricultural history. Profits jumped after the UK's accession to the European Economic Community before falling by the mid-1980s. In the next decade, the weaker pound swelled returns, until they were deflated by a strengthening currency, low commodity prices and the BSE crisis. From the extreme low of the early 2000s, farming profits have been recovering, particularly since the financial crash. Over the past five years, the income-per-farmer has averaged £32,272 (at nominal prices).[17]

Stepping back, the picture is striking. Income-per-farmer is roughly where it was in the mid-1970s, after adjusting for inflation. The clear improvement since the turn of the millennium represents a rebound from farming's recent nadir. Over the same period, average wages for workers across the economy (shown as the line in Figure 2) have risen, though wage growth has flatlined since 2007/8.[18] Across this whole timespan, the economy has grown and real wages have risen, but farmers' incomes are back where they started.

# 3. The farming treadmill

The long-term trend in farming incomes explains a process that farmers and their families will feel in their bones. Academics call it the 'agricultural treadmill'.[19] With the profits from farming limited, the main way most farmers have tried to maintain their standard of living has been to expand their production. Some farms have been able to intensify, whether that's keeping more cows or chickens, or pushing for higher yields. Some have been able to diversify. For many, the only option has been to buy or rent more land. They've had to keep running just to stand still. On a land-scarce archipelago, that has inevitably meant some farms expanding and others falling off the treadmill altogether.

This process has contributed to farming's polarisation. In England, 9% of businesses produce 62% of the total agricultural output by value, operating on just over a third of the total farmed area. There are just 8,140 of these 'very high output' businesses, out of a total of 95,365 farms.[20] A similar pattern of concentration is found in the other nations.[21] The country's agricultural production is reliant on a shrinking number of businesses.

What has powered the treadmill? It's not the case the farms have become less productive. The opposite is true. Total Factor Productivity (TFP) is a measure of how economically an industry turns inputs into outputs. In UK agriculture, TFP increased 59.6% between 1973 and 2023.[22] Some of this increase has come from rising production. British farms are producing similar amounts of, or slightly more, wheat, milk, eggs, fruit, beef, lamb and pork as they were in the 1980s. And while the volume of fresh vegetables has fallen by around a quarter, poultry meat production has almost tripled.[23]

Further to those increases in output, the UK is producing that food more efficiently. Farms are using inputs with greater precision. The tonnage of nitrogen applied in the UK has roughly halved from a peak in 1987 to today.[24] The volume of livestock feed consumed on farms has risen, and this has led to higher yields of meat and milk.[25] But by far the most gains have come from cutting labour.[26] A smaller workforce, on bigger farms and with bigger and smarter machines, is producing more food than it was fifty years ago. This centuries-long trend, interrupted by World War Two, has continued in recent decades. From 2000 to 2024, the number of people working in agriculture, including both business owners and any staff, fell 12% to 453,000.[27]

Rising productivity should theoretically increase the returns to farming businesses – or at least those that have survived the treadmill. That's not what's happened. At a moment when the Westminster government is talking about improving the profitability of farming, this should be warning.

A key force behind the historical pressure on incomes is that the value of farmers' produce has not kept pace with the rest of the economy, which includes their own costs like fuel, wages and energy. In real terms, the price of what farmers grow has fallen. Figure 3 shows the change in the average prices for a selection of major agricultural products – wheat, milk, cattle, chicken, apples and tomatoes.

### Figure 3: Prices of selected UK farm products since 1984 (at 2023 prices).

Note: Wheat price is volume of production divided by its value; milk price is average producer farmgate price including bonuses; beef price is for all prime cattle; chicken price is average producer price. Source data: Defra, Agriculture in the UK data sets, chapters 7 and 8; prices adjusted using HM Treasury GDP deflators.

The decline is most dramatic in the case of wheat. At today's prices, the value of the UK wheat crop (feed and milling) fell from £346/t in 1984 to £210/t in 2023. Livestock sectors benefited from those falling cereal prices in the cost of their feed, but farmgate prices for milk, cattle and chicken have dropped substantially too. Apple and tomato prices have kept more in line with general inflation. Across all products, prices have crept up or levelled off since the financial crisis, especially in the past couple of years and the cost-of-living spike. But even the recent rises have only brought farmers' prices just shy of where they were fifty years ago.

These falling prices need to be seen against the background of structural changes to Britain's food system.[28] Over this period, the UK has been reliant on rising imports, for animal feed, industrial ingredients and food for people. Agricultural production here and around the world has focused further on a narrow set of commodities, the prices of which are determined by a global trade dominated by major exporting nations like the USA and Brazil. More of the produce from British farms has become raw materials, in the form of animal feed or ingredients for the emerging industry of ultra-processed foods, rather than feeding people directly. At the same time, grocery shopping has been taken over almost entirely by the supermarkets, whose business model is based on efficiency, high volumes and competing over price. People are eating out more and buying more takeaway food.

In this context, the financial value of what farms grow has fallen. Their power within the food system has also diminished. This raises the question: who's profited from agriculture's rising productivity?

# 4. Big Ag Britain

On 30 July 2015, in the town of Yate in South Gloucestershire, a gang of twenty-something young farmers marched into the fridge aisle of a supermarket. They emptied the shelves of milk, before pushing their packed trollies to the till, where they dumped the lot and left. In an online clip, a woman speaks offscreen: "We're doing the Milk Trolley Challenge. This is due to the unfair milk price. Morrisons, you have been milked."[29]

That summer, a wave of copycat protests spread across the UK. They followed months of overnight tractor blockades at supermarket depots and milk factories. Farmers were furious that their produce was being sacrificed in a battle over who was charging shoppers the least for four pints.[30]

It's hard to pinpoint exactly what was 'unfair' about the prices farmers received. Rising milk production and falling demand across the world was widely publicised. Most retailers sourced their own-brand milk from a dedicated pool of farmers paid a premium rate.[31]

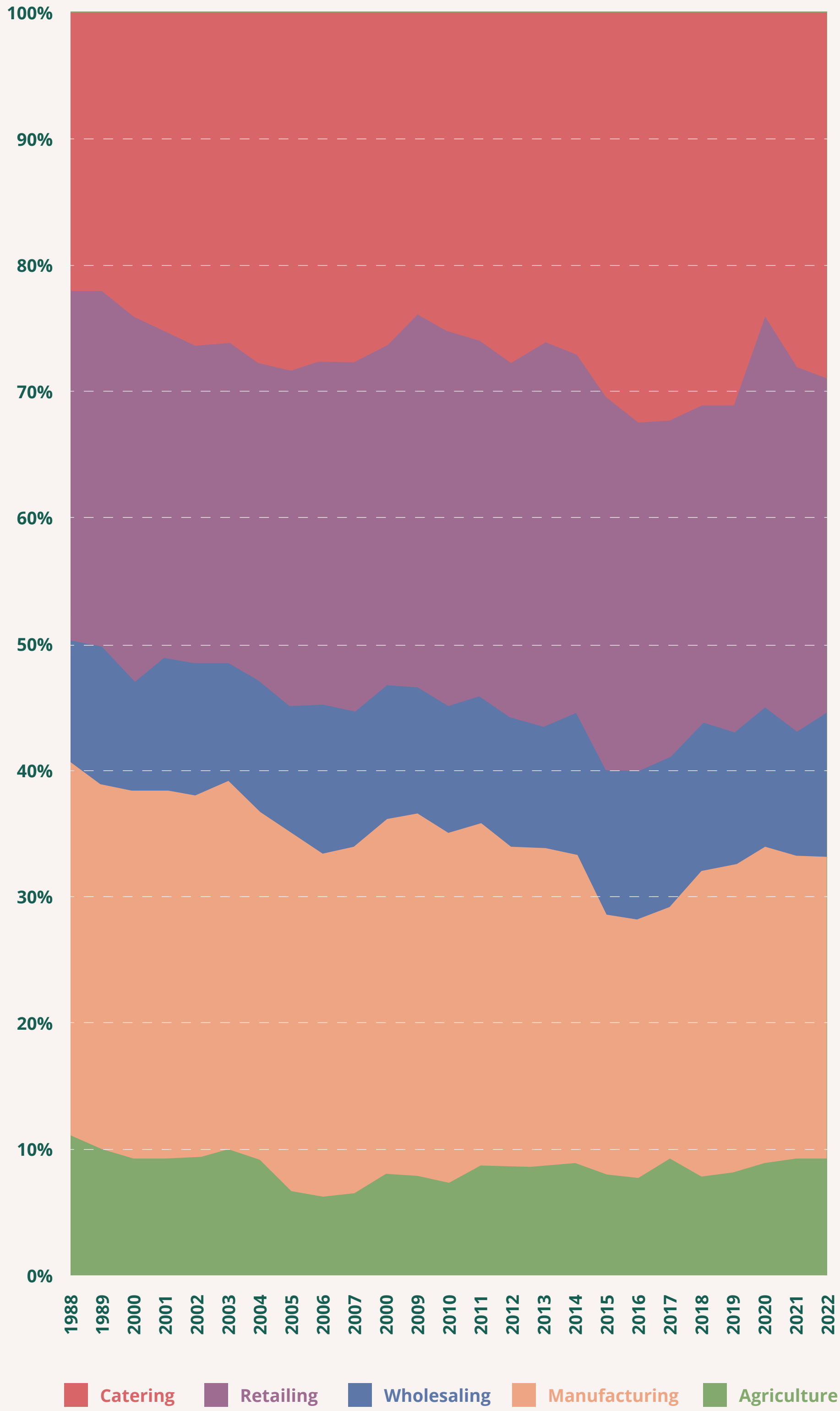
What animated the protests was more visceral. It was a feeling that the food that farmers produced was being devalued and that producers had little power to negotiate with much bigger businesses. Who holds the power and who is profiting from feeding Britain?

In financial terms, agriculture is a small player. To look at the size of different sectors, economists use a measure called Gross Value Added (GVA), the value of the goods or services produced minus the cost of the direct inputs used to produce them. The UK's agri-food chain had a total GVA of £146.7bn in 2022. Manufacturing, retail and catering each accounted for around a quarter to a third of the total. Farming accounted for just 9.4%.[32]

This low share partly reflects an industrial food system, in which most farmers are selling commodity goods that have to be processed, packaged and distributed by a complex supply chain before being sold in supermarkets, corner shops and restaurants. Though differences in data make comparison difficult, it appears that British farmers' share of the chain's total value is lower than in near neighbours like France, Germany, Netherlands and Denmark.[33] It has also fallen slightly since 2000 (Figure 4).

### Figure 4: Sector share of UK agri-food sector Gross Value Added since 1998.

Source data: Defra, Agriculture in the UK data sets, chapter 14.



Farming is still very different to the rest of the food economy, being comprised of tens of thousands of small- and medium-sized businesses. By contrast, the other food sectors tend to be dominated by a tiny number of very large companies (food service is different, comprised of distinct sub-sectors).[34]

In each of those cases, four firms will generally control more than 40% of the market, the threshold researchers use to describe as the point at which competition declines and smaller companies struggle.[35] The first *False Economy* reported described the power of multinational manufacturers behind the rise in ultra-processed foods. Farming aside, Big Food and Big Ag companies control the lion's share of business in almost every link of the UK food chain, from retail right back to the people who sell farmers their fertiliser and livestock feed.

The consolidation of corporate power is well studied at a global level. The large agri-businesses providing farming inputs and trading commodities have made headlines when they have launched mergers and acquisitions of other firms, adding to their market share horizontally (with the same sector) or vertically (across different parts of the chain). This concentration picked up pace in the 1980s, and continues to this day.[36] The top six firms now account for 78% of all sales of pesticides, herbicides and other chemical products. This pattern repeats across seeds, fertiliser, machinery, animal pharmaceuticals and the trade in farm commodities like grain. In the latter case, just five firms (Archer Daniels Midland, Bunge, Cargill, COFCO and Louis Dreyfus) exchange 75–90% of all the grain trade around the world.[37]

The UK agri-food chain has followed this trend. The best-known examples are consumer-facing. More than two-thirds of grocery sales pass through the tills of the four largest supermarkets.[38] Despite the ubiquity of brands like McDonald's, KFC and Gregg's, the eating out sector is more competitive. But the £11–12bn contract catering sector centres on two big international companies, Compass and Sodexo.[39] The majority of online food delivery sales take place on three platforms – JustEat, Deliveroo and Uber Eats.[40]

The public is less aware of how consolidated the chain leading up to that point has become. This information is not widely reported but can be pieced together through competition inquiries and news reports. Four big abattoir firms (ABP, Dunbia, Hilton and Woodheads) supply around 70% of the fresh beef in supermarkets.[41] Those retailers buy most of their own-label milk from just two dairy processors, Arla and Müller, which purchase around 40% of the 15bn litres produced by UK farmers.[42] The story is the same for most of the inputs on which farmers rely. More than half of the country's cattle and sheep feed is supplied by four companies.[43] The national fertiliser market is dominated by three major firms (CF, Yara and Origin).[44] In 2023, 80% of the 11,000 tractors sold were from brands belonging to three big manufacturers (John Deere, CNH and AGCO).[45]

Many of Britain's food and farming companies are subsidiaries of the world's largest agri-businesses. Take the example of poultry. At least 70% of the chickens killed in the UK are supplied by three vertically integrated firms involved in hatching birds through to slaughter and processing.[46] One of these, Moy Park, is Northern Ireland's biggest business by turnover and is a subsidiary of JBS, a Brazil-based multinational and the largest meat processing enterprise worldwide.[47] Another, Avara Foods, was formed in 2018 as a joint venture between Faccenda and Cargill – the biggest private company in the USA and the largest of the global grain trading giants. Cargill also has a stake in British arable farming. The leading grain merchant, Frontier, trades around a fifth of the total harvest.[48] Frontier also sells farmers inputs and advises them on crop production. The business is jointly owned by Cargill and the agricultural division of Associated British Foods, one of the country's largest food manufacturers, specialising in the production of ingredients for processed foods. Other major grain buyers include global corporations like ADM and COFCO – the latter owned by the Chinese state.[49]

The consolidation of almost every food and farming sector and the entanglement of British food with these global agri-businesses is rarely discussed. For farmers and industry insiders, it's a fact of life. But it's also the result of a process that's happened quietly in the last few decades.

The structure of Britain's agri-food chain explains why British farmers face an uphill struggle to improve their income. They are overwhelmingly price-takers, with little ability to influence the prices that they pay for fuel, fertiliser and feed or the returns they get back for their produce. There are ways that farms try to build collective bargaining power. Buying groups and machinery rings can negotiate better rates on kit, fuel, fertiliser and other costs. While a few of the largest agri-food businesses are farmer co-operatives, such as the dairy processor Arla and grain dealer Openfield, the UK's co-op sector is much smaller than in many European countries.[50] Even farmer-owned businesses have to operate according to the dynamics of a cheap food economy, where the priority has been to increase production and bring down the price of food at any cost.

Farmers are not the only ones being squeezed. Low margins on less processed foods – such as milk, fresh meat, fruit and vegetables – have driven the consolidation across the food chain.[51] For the biggest companies, building market share through mergers and acquisitions has become a main route to improving profits. The pressure is acute in the middle of the market. Meat and dairy processors have to invest heavily in factories, but are dealing with manufacturers and retailers who are competing between themselves to keep prices down. Smaller businesses regularly fail or are snapped up by larger competitors. Abattoirs are a good example. In the 1970s, there were more than 2,000 slaughterhouses in the UK. There are now close to 200.[52] Small, independent slaughterers that enable farmers to send animals a short distance to be killed are disappearing: in January, Hampshire's last abattoir announced it was closing its doors.[53] This has implications beyond marketing. The tight specifications demanded by the big abattoirs put traditional and rare breeds of animals at a disadvantage. This consolidation affects what types of cattle and sheep farmers will keep in the future, reducing the diversity of Britain's livestock.[54]

# 5. False profits

So far, this report has shown that farmers' incomes have barely improved since the 1970s, forcing farms to become bigger and intensify as the value of their produce has fallen. Britain's food chain has become increasingly consolidated as part of an integrated global food system, focused on producing low-cost calories. Why does this matter?

Household budgets have benefited from the cheap food economy. The prices on the shelf of most basic foods has dropped in real terms over the past forty years (see Table 1), though this trend was somewhat disrupted by rapid rises after Russia's invasion of Ukraine. This has allowed food to use up less and less of people's wages. Back in the early 1970s, households were spending between a quarter and a fifth of their income on food.[55] Today, that figure is around 9%. Only three other countries – USA, Singapore and Ireland – spend less as a proportion of consumer expenditure (Figure 5). This in theory frees up money for people to spend on other goods and services, but it should be noted that the UK has much higher housing and transport costs than comparable, advanced economies.[56]

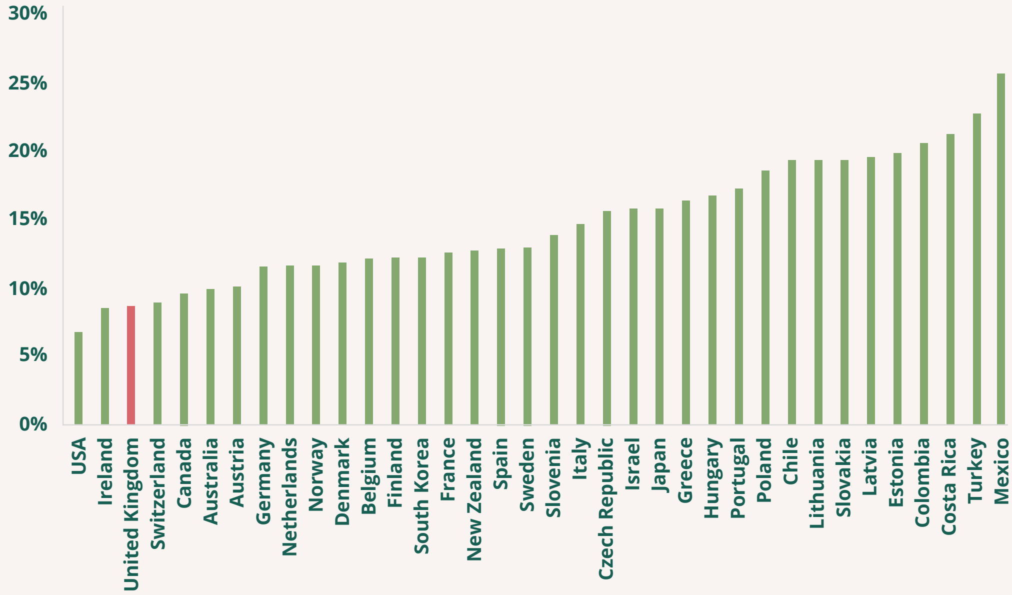
### Table 1: Retail prices of selected basic foods, 1984 and 2024.

Note: Beef price is from 1986 when price series began. Source data: ONS, Consumer price inflation time series; converted to 2024 prices using Bank of England inflation calculator.

| | Price in pence in 1984 (current prices) | Price in pence in 1984 (at 2024 prices) | Price in pence in 2024 | Change |
|---|---|---|---|---|
| **Bread (white loaf, sliced, 800g)** | 38 | 120 | 140 | +16.7% |
| **Milk (pasteurised, pint)** | 22 | 68 | 65.1 | -4.2% |
| **Beef (home-killed, best beef mince, kg)*** | 263 | 761 | 811 | +6.6% |
| **Chicken (for roasting, oven ready, kg)** | 172 | 543 | 379 | -30.2% |
| **Apples (dessert, kg)** | 70 | 220 | 213 | -3.2% |
| **Tomatoes (kg)** | 108 | 341 | 306 | -10.3% |

**Figure 5: Share of consumer spending on food and non-alcoholic drinks, 2023.**

Note: Only OECD countries with data available shown. Source data: USDA, International Consumer and Food Industry Trends.




Yet surely the finances of the majority of households count more than a minority of farmers? What would be lost if the farming treadmill kept rolling? Why does it matter if big companies dominate the food and farming economy?

First, there is the impact on farmers and rural communities. Consistently low profits make it harder for farms to grow and reinvest, which in turn means businesses have to further exploit their own resources. Cutting labour eventually takes a physical and mental toll. A shrinking industry becomes a lonelier place. Agriculture has an abysmal record on health and safety, with fatal accidents more common than in any other industry.[57] Rates of depression and suicide are unusually high, with rural charities warning of a mental health crisis.[58] This blend of low wages and hard conditions also makes the sector less attractive to potential new entrants. Farms are also engines of local economies. As well as supporting local businesses from village shops to vets, they maintain a landscape full of people who have a connection to the fields, hedgerows and woods that surround them.[59]

The strain on farmers has ripple effects far beyond agriculture and the countryside. Farming's limited profitability and competition from imports has weakened the UK's food security. The country's self-sufficiency in food production hit a high of 78% in 1984, before falling to just under 60% in 2006, where it has broadly stayed since.[60] This narrow metric can lead to an overemphasis on increasing home-grown production at any cost to the environment, but it does highlight how Britain has become more reliant on trade and more vulnerable to any disruption. The problems are acute in certain sectors, such as fruit and vegetables. While the UK grows most of its carrots, swede, turnips and strawberries, we produce much less than half of our apples, pears, plums, lettuce and tomatoes. Much of the country's imports of tomatoes, peppers and cucumbers are grown in climate-stressed regions like North Africa and Spain, which puts future supplies at risk.[61]

The nation's food security is underpinned by its soils, waterways and wildlife.[62] Intensive farming has been a major reason why the UK has become one of the most nature-depleted countries on the planet.[63] The population of farmland birds, such as turtle doves, grey partridge and corn buntings, has more than halved since the 1970s.[64] The United Nations Food and Agriculture Organization recently estimated the negative externalities or hidden costs connected to British agriculture, largely from greenhouse gas emissions and pollution.[65] For every pound in financial value generated by farming, the sector caused a further two pounds in hidden costs. This is one of the highest ratios worldwide.[66] Politicians and society are pushing farmers to clean up Britain's rivers and restore nature, but these changes have costs and will be difficult to implement if the primary challenge is staying in business.

A thriving natural environment is essential for the country to be able to cope with upheaval. Food system researchers now stress the importance of building resilience, the ability not just to withstand shocks and stresses, but to anticipate them, and to recover in a way that doesn't repeat the problems of the past.[67] Shocks that could affect the food supply include droughts and floods, trade and transport disruptions, outbreaks of human or animal disease, or cyber-attacks on infrastructure. In a highly connected world where the climate is changing and global politics is becoming more dangerous, events such as Russia's invasion of Ukraine and President Trump's threat of tariffs can have wide-ranging and cascading effects.[68]

Resilience requires capacity or resources that can be drawn on in a crisis. In food, that could take the form of physical stocks, but also a healthy workforce and thriving ecosystems. The pressure of the farming treadmill erodes these capacities.

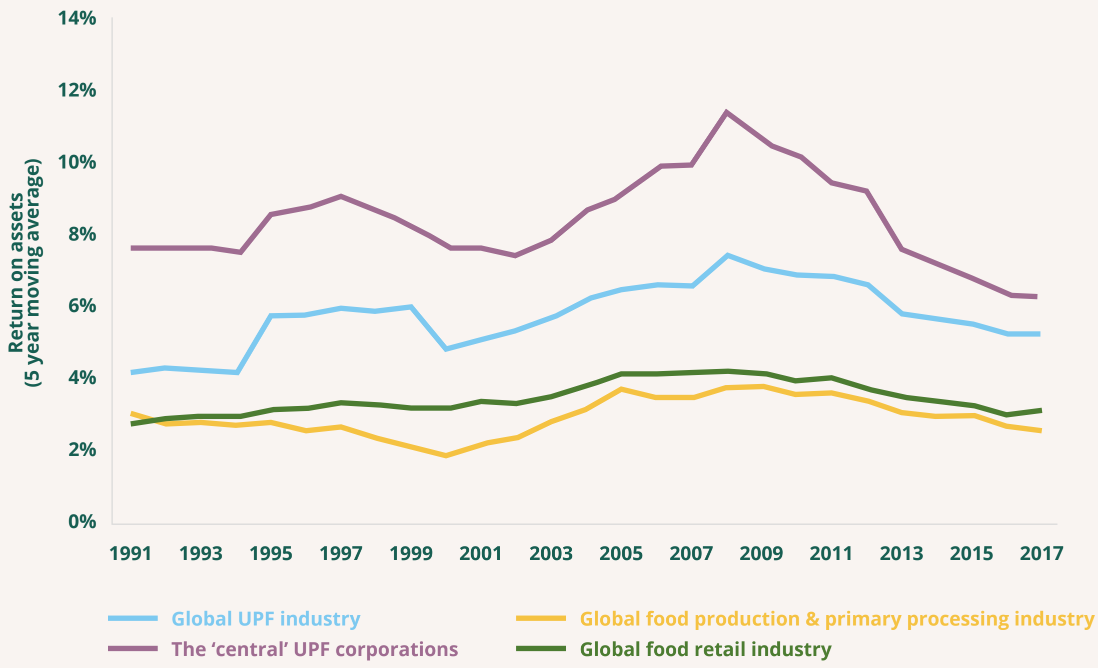
Diversity is important too. In a report for the National Preparedness Commission, Tim Lang laid out the risks associated with the UK's concentrated food system.[69] It's more beneficial to have different types of farms, run by different sorts of people, some owner-occupied and some tenanted, some larger and some smaller, some family-run and others very business-like, some supplying regional markets and others feeding into national supply chains and big retailers.[70] That diversity is hard to rebuild once it is gone. The dominance of a few big corporations across the agri-food chain is also a risk. If a major shock struck one of the supermarkets or abattoirs or tractor-makers, the impact could be potentially enormous.

The dominance of Big Ag and Big Food companies has downsides for the public as well as farmers. Research has indicated that, when a handful of companies gain a dominant market share, smaller actors lose bargaining power; new firms struggle to break in because of high barriers to entry; businesses become less innovative; and corporate lobbying exerts a strong influence on government decision-making, shaping policy in their own interests.[71] These factors combine to keep Britain locked into the current food system, one in which all these integrated businesses are heavily invested.[72] They are collectively engaged in the enterprise of producing the highest volume of food at the lowest price while externalising the true cost on people's health and the planet.

Given the size of these firms, the profits are not obviously excessive. In their most recent full-year results, the combined operating profits of the four biggest retailers totalled around £5bn. Prompted by the cost-of-living crisis, the Competition and Markets Authority investigated whether the supermarkets were profiteering from the volatile period. It found that profit margins were 'historically low', generally below 4%. Shoppers were switching between retailers to hunt for lower prices, and discount chains were gaining market share.[73] Manufacturing heavily processed products appears more lucrative. Global analysis has found that measures of profitability such as return on capital are significantly higher for the multinational firms making ultra-processed foods than those involved in farming, primary processing and retail (Figure 6).[74]

**Figure 6: Relative profitability of global UPF, food retail, processing and production industries, 1989–2019.**

Note: Profitability shown as return on assets. Source data: reproduced from B. Wood, et al., 'Behind the "creative destruction" of human diets', Journal of Agrarian Change 23:4 (2023).



However large the profits, there is evidence of value being extracted from the food system. Since the 1980s major food companies have become increasingly financialised. This means that their activities are driven more and more by the influence of shareholders, financial institutions and money markets. The central objective is to maximise returns to shareholders in the short term, rather than delivering sustainable value to their customers and society at large.[75]

Many leading food and agriculture firms have recently engaged in major share buybacks, a process that involves using company profits to purchase the firm's own traded shares, as a means of improving its stock market valuation. Associated British Foods recently announced plans to purchase £500m of its own shares.[76] In 2024, Tesco increased its full-year dividend by 11% and committed to buying another £1bn of its own shares, taking the total over a three-year period to £2.8bn.[77] Multinational food and agri-businesses across the entire agri-food chain, from Nestlé to Unilever and ADM to BASF, have recently used buybacks and dividends to hand billions of dollars a year to shareholders.[78]

The extraction of this profit demonstrates how food's value has been distorted. Growing and selling the whole and minimally processed food everyone needs to live a healthy, active life is a low-margin business. From the farmgate through to the supermarket shelf, the only way to profit from these foods has been to scale up and become more efficient. The real cost is being paid in low wages among farmers and food industry workers, and environmental damage caused by intensive farming in the UK and abroad.

Meanwhile, the most profitable parts of the food chain are takeaways, fast food and ultra-processed products. These sectors benefit from the cheaper raw materials produced by farmers, ingredients to which manufacturers and food service firms 'add value' through processing, marketing, distribution and serving customers. That extra value, reflected in higher margins, also relies on the hidden costs on people's health being paid by the rest of society. Financialisation reveals another aspect of the distortion of value: that the pool of people who hold shares in Big Ag and Big Food are, according to the market, more deserving of reward than the workers and food producers lower down the chain.

# 6. Growing good food

The most poignant of 2024's farming protests took place a hundred miles west of Parliament. On a clear March morning, Welsh farmers placed 5,500 pairs of wellington boots – green, black, spotted, muddy, clean, large and small – on the steps of the Senedd. The wellies stood for the jobs that would be lost if all of the country's farmers signed up to the proposed Sustainable Farming Scheme.[79] Farmers make up more of the population in Wales than anywhere else in the UK, and are more consequential to Welsh language and rural culture.[80] Many felt that a way of life was under threat.

In the cheap food economy, those jobs would soon go anyway. If the profits from growing food remain slender, if the big businesses that dominate the food chain keep prioritising short-term, financial interests, it's likely the consolidation of farming will continue apace. In his speech to the 2025 Oxford Farming Conference, Defra secretary Steve Reed promised that 'every farmer' had a place in the future.[81] On the evidence of the past fifty years, that's not plausible.

Can farmers step off the treadmill on which they're being forced to run faster and faster? Can businesses be encouraged to generate long-term, public benefits? Is it possible to do all this while ensuring all households have enough healthy food?

It's useful to start with some basic realities. In 2023, the total income from agriculture in the UK per full-time farm business owner or unpaid family member – the measure discussed in section 2 – was £36,040. Raising that figure, for example, by £10,000 would require just over £2bn of extra income for the whole of British agriculture.[82] That's roughly the same as the entire amount the government has paid out to English farmers through subsidies, grants and environmental schemes every year since leaving the EU[83] – yet the sector may need many times that to invest, grow and regenerate the natural and social capital that's been degraded. Where could this extra money come from?

Changes that farmers can make themselves all have limits. The differences in profitability between the top 25%- and bottom 25%-performing farming enterprises could be bridged by investing in infrastructure, technology and skills.[84] But this is difficult for cash-strapped businesses and farmers which haven't, in the past, benefited from previous productivity gains. There is some evidence, much still anecdotal, that adopting more regenerative, nature-friendly or organic practices can potentially make farms more profitable. These practices can reduce their variable costs, especially in artificial fertiliser, sprays and purchased feed, while improving animal and soil health, restoring biodiversity and boosting their resilience.[85] Some farms can sell this sustainably grown produce into higher-value or niche markets. But any premium might be eroded as these practices become more widespread. And such food is often out of reach for ordinary households, though projects such as Bridging the Gap are showing that shorter, community-focused supply chains can make it more affordable.[86]

As we have seen, food production on British farms is already heavily subsidised by other activities. With direct payments disappearing and government funding for agriculture shrinking in real terms since Brexit, this financial void has to be filled. There is potential for the private sector to step in, as businesses are required to account for and offset their environmental impacts. Farms can offer all manner of 'environmental services', from carbon sequestration in soils to landscape-scale habitat restoration, to holding water on their land. Many are already being paid to do so.[87] The markets are immature, and many businesses will need expert guidance to navigate these new options. Becoming a multifaceted rural business should be a way of riding out volatility. There's a risk, however, that those other activities enable food to be devalued even further.

Some of the profits being made by the largest agri-businesses, manufacturers, fast food chains and supermarkets could possibly be diverted to farmers. Most retailers and some manufacturers have invested in exclusive supply groups, longer-term contracts and pricing connected to farm's production costs.[88] Such initiatives give suppliers a degree of security and produce glowing headlines but haven't stopped the shrinking of farmers' margins and the consolidation of agricultural businesses.[89] The Groceries Code Adjudicator oversees dealings between supermarkets and direct suppliers, while an adjudicator covering the milk supply chain was appointed in the autumn. These regulators emphasise good faith, transparency and legal compliance, and are supposed to stop overt abuses of market power. But they stay away from matters such as price formation, market concentration and public value.[90]

Even if existing money could be redirected to agriculture, there's a thornier issue. Would that be fair? Do the other businesses working on thin margins up and down the food chain not deserve a cut? And what about the workers across the entire agri-food industry, from fruit pickers to abattoir operators to warehouse staff, many of them working on short-term contracts for low wages?

From a broad public-interest point of view, what really matters is not the financial position of a few hundred thousand individuals who make their living from farming. What's most important is that everyone in the UK can afford enough healthy, delicious food, that the country has a secure and resilient food supply, that the soil, water and wildlife on which our existence depends are being regenerated. If farming is meeting those ambitions, then it should be properly rewarded.

The path out of this thicket is for farmers, forward-thinking businesses and the public to demand politicians change the rules of the game. The governments across the UK have the power to change what is valued in the economy of food and how value is distributed.

Health and resilience need to count. The nutritional quality of food and its social and cultural importance should be factored into a market price, alongside international supply and demand. Farming methods and business practices that help the food system regenerate resources and cope with extremes should be prized as much as the ability to grow, process, pack and sell as efficiently as possible.

Financial returns need to flow to where real value is being created. In an economy that valued healthy, minimally processed food grown in ways that encouraged nature to flourish and promoted wellbeing, the people producing that food should receive a bigger share of the proceeds. The products sold by global commodity giants and food manufacturers would be worth much less. If there were more options for farmers to sell their produce through small, local processors and markets, more of the value would be retained in communities.[91] Progressive food businesses, from Cook to Hodmedod's to Wildfarmed to Yeo Valley, are proving that these values can be cherished at scale.

But where to begin? FFCC's previous report, *The False Economy of Big Food*, proposed a policy framework for building a new food economy. It was based on three principles: rooting the right to healthy food in policy, by introducing a right to food in law; regulating the food environment to prevent harm by protecting consumers from the worst activities of Big Food; and redirecting money by taxing bad practices and resourcing the people and businesses doing good.

This report's core recommendation is that the government's forthcoming food and farming strategies need to explicitly address the problem of cheapness. Healthy food needs to be affordable and available to everyone, but decades of downward pressure on food prices hasn't achieved this. Meanwhile, immense costs to people's health, nature and the planet have been racked up.

Policy-making needs to be much more ambitious. Changes to farming have to be connected to changes in the wider economy of food. Otherwise British farmers will lose out, the country's food security will be threatened, and the largest food and agriculture businesses will continue to offload the true costs onto taxpayers and future generations.

Action is required across government. Defra has a crucial co-ordinating role and needs to be backed by the authority of Downing Street.[92] But devolution limits the department's UK-wide powers and critical levers are in the hands of ministers overseeing tax, health, trade, education, welfare, housing, energy and beyond. None of the potential policy levers are entirely novel. The research and any consultation behind the food and farming strategies should also examine what would happen if various established tools – such as trade standards, competition rules, and VAT – were used in a bolder, more creative way (Box 1).

Cross-government co-ordination means policies can be joined up with a view to their system-wide consequence. Incentives or regulation to encourage farmers to pursue regenerative, organic or nature-friendly practices need be paired with a trade policy that maintains the same standards in international agreements. If not, farmers will be placed at a disadvantage and the benefits of public investment in agriculture will be reduced. Policies can also be bundled together in ways that create collective, long-term value.[93] Revenues from taxes that aim to discourage production and consumption of the unhealthiest, least sustainable foods could be ring-fenced to support local food infrastructure, such as markets and community kitchens. In turn, these outlets could provide new options for farmers to sell their produce, cutting out the intermediaries and giving producers a larger share of the end price.

Other countries and regions are already showing what can be achieved with ambition. The European Union has published its 'Strategic Dialogue', a high-level strategy to accelerate the shift to sustainable farming and healthier diets, and announced measures aimed at strengthening farmers' position in the food chain.[94] In 2012, Denmark introduced an organic action plan which dramatically increased the amount of sustainably grown food served in public settings.[95] The Indian state of Andhra Pradesh, which has a land area larger than England, has helped 630,000 of its farmers transition to agroecological methods, while improving their yields and incomes and creating more jobs on farms.[96] Even Robert F. Kennedy's bombastic plan to 'Make America Healthy Again' is making the case that regenerative farming and healthy food should be prioritised over corporate profits. Within the UK, Scotland is moving ahead with its Good Food Nation Act, and local food partnerships in cities and regions are starting to build food chains based on broader values.[97] Britain has a chance to be a global leader in good food.

### Box 1: Potential policies to reward good food and farming

| POLICY AREA | POLICIES TO TEST AND DEBATE |
|---|---|
| **Trade** | • Establish core standards in trade agreements linked to UK farming practices and future ambitions, and combine these with mechanism to protect them[98] |
| **Business** | • Mandate the Competition & Markets Authority to consider wider food systems impacts beyond price, and set limits on agri-food sector concentration[99]<br>• Encourage expansion of alternative business structures particularly in food and agriculture chain, such as employee- and community-ownership and co-operatives |
| **Supply chain power** | • Create Food Market Regulator like Ofgem or Ofcom, with remit from farm inputs through to consumers and focus on long-term public value (absorbing existing adjudicators)<br>• Mandate risk-sharing mechanisms in food chain contracts, such as cost-of-production models, base prices and greater flexibility |
| **Tax** | • Reform VAT or build on levies such as the sugar tax to encourage consumption of healthy and sustainably produced foods over unhealthy ones, and support smaller food businesses[100]<br>• Ringfence tax revenue to support people on low incomes buying fresh food or fund expansion of free school meals[101] |
| **Lobbying** | • Exclude food businesses deriving defined share of sales from unhealthy products or supply chain businesses causing highest hidden costs from policy discussions[102]<br>• Embed citizens' panels into food policy development[103] |
| **Public procurement** | • Set a long-term ambition for 100% of publicly procured food (that can be grown domestically) to come from producers growing to high environmental standards such as organic, with focus on priority areas such as fruit and vegetables, pulses and clear link to health and farming policy[104] |
| **Farming** | • Concentrate grant and research funding towards sectors identified as critical to health and resilience, such as fruit, vegetables and pulses<br>• Emphasise horticulture opportunities in local plans and land use frameworks[105]<br>• Co-ordinate farming strategies across the four UK nations, describing staged targets towards mass adoption of nature-friendly and regenerative techniques<br>• Focus research and innovation funding on technology to support regenerative and nature-friendly practices, including in action research by farmers and networks |
| **Local food** | • Fund collaboration groups (clusters, co-ops, producer organisations) to help farmers process and sell food alongside environmental services<br>• Prioritise local food infrastructure in planning and grants, and offer tax breaks for local food businesses[106] |

Any serious effort to reverse the damage caused by unhealthy, unsustainable food must be honest about the scale of the task. Politicians, agriculture and the industry should be straight about the real costs of prioritising efficiency and low prices on people's health, the wider economy, and nature. Honesty is also important around the short-term effects of positive change, such as the cost of certain foods going up and certain types of more industrial, more extractive farming becoming less profitable. The art will be in how leaders tell the story, and describe the road to a better future.[107] FFCC's The Food Conversation has proved that the public understand the difficult choices needed around food and farming, but that's exactly why they want their leaders to lead.

Keir Starmer's Labour government has made economic growth its central mission. The foundations of that growth are the country's resources, its human, social and natural capital. Pushing for ever-cheaper food at any cost has whittled away these pillars of common prosperity. Changing how Britain values food can underpin a fairer, greener, healthier society. Good food and good farming can be sources of national renewal.

Food, Farming
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# Notes


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**Food, Farming &
Countryside Commission**
Courtenay House, Pynes Hill,
Exeter, England, EX2 5AZ

**t:** +44 (0) 20 7118 1870
**w:** ffcc.co.uk

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England and Wales

Company no. 12562770
Charity no. 1195790


The Food, Farming and Countryside Commission focuses on food and farming, climate, nature and the public's health, for a just transition to a greener, fairer world. With partners in governments, businesses and communities, we generate radical ideas and practical actions to transform our countryside and our economy. We help convene collective leadership on the difficult questions and resource communities to become more resilient and adaptable for the challenges ahead.