



Posh nosh: With a gaping black hole in the public finances, why are British taxpayers still subsidising premium-priced organic food?

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In the wake of the cost-of-living crisis, reports of plummeting consumer demand for more expensive organic food must pose a dilemma for the new Labour Government. No fewer than 14 of the 102 options currently available to farmers under Defra's Sustainable Farming Incentive are explicitly designed to support and/or increase organic production in England, and the payment rates are eye-wateringly high. With a £22bn black hole in the public finances, and cuts to departmental budgets on the cards, why are British taxpayers subsidising the production of food most people cannot afford? And how does it square with Labour Ministers' pledge that 'food security is national security', when a recent report from Natural England warned that increasing the area of lower-yielding organic farming would reduce domestic food production by up to 25%, ask science communicator Dr Julian Little and SSA co-ordinator Daniel Pearsall.

*"Organic dairy sales plummet in wake of cost of living crisis" ran the headline of a [recent article](#) in *The Grocer*, amplifying a new report from dairy experts Kite Consulting, which warned that the UK organic dairy sector had suffered a "torrid period" since Covid, with soaring production costs and pressure on household budgets turning British shoppers away from organic brands.*

The study found a widening price gap between organic and conventional products, which led to a 14% fall in organic milk sales volumes last year and a 16% drop in organic yoghurt sales across the major supermarkets. Between them, these two categories account for 97% of the organic dairy market.

"The sector is at a critical crossroads," the article observed.

That description sounded familiar, and a quick search engine check revealed that, in fact, the organic industry seems almost permanently stuck “at a crossroads”.

For example:

[“Organic Agriculture at a Crossroads”](#), IATP, March 2003

[“Organic crossroads”](#), Fresh Produce Journal, September 2007

[“Organic food at the crossroads”](#), The Grocer, March 2014

[“Development of Organic Farming in Europe at the Crossroads”](#), Sustainability, May 2017

[“Organic ag finds itself at a crossroads”](#), Agri Investor, April 2022

Each of these articles demonstrates that the “crossroads” facing the organic sector is invariably linked to the disconnect between perception and reality, because sustainable market growth cannot be achieved without increased consumer demand, and the fact is, that demand is just not there.

In a modern context, organic farming is an extremely inefficient means of producing food.

As Matt Ridley has argued in a [previous SSA commentary](#):

“On a small scale, locally produced, and catering for a specialist ‘lifestyle’ market, organic has its place. But the more its proponents claim that organic farming holds all the answers to global food security, healthier diets and climate change, and the more scientific evidence emerges to the contrary, the more self-harm they will inflict.”

This latest study highlighted by *The Grocer* underlines the sensitivity of premium-priced organic products in leaner economic times.

It confirms that organic is really only for the wealthy and privileged.

And that must pose a dilemma for Ministers in the new Labour administration.

With reports of a £22bn ‘black hole’ in the UK Government’s finances, and amid sombre warnings from the Prime Minister that “things will get worse before it gets better”, hefty tax rises are rumoured to be on the cards.

These are likely to focus on “those with the broadest shoulders” – i.e. the rich.

So, VAT on private school fees, a clamp-down on ‘non-dom’ status, and inheritance tax rises all seem to be in the Chancellor’s sights.

There is also talk of a 20% cut in non-protected departmental budgets, which means agricultural support will undoubtedly come under pressure. Indeed, the Guardian is already [speculating](#) that the farm budget for England is set to be cut by £100m.

But with all this belt-tightening in prospect, does Labour still have a blind spot in relation to organic food?

At the last count, no fewer than 14 of the current 102 options under the Government's Sustainable Farming Incentive (SFI) were explicitly designed to support and/or increase organic production in England, which currently stands at 3.3% of the total agricultural area.

In some instances, these options simply reward farmers for being organic, and the payment rates are eye-wateringly high, e.g.:

OFM4 – Organic land management – rotational land - £132 per hectare

OFM5 – Organic land management – horticultural - £707 per hectare

OFM6 – Organic land management – top fruit - £1,920 per hectare

Given the urgent need to cut public expenditure, does it really make sense to support an increase in less efficient organic agriculture when there is no consumer demand for the food it produces, and especially given the Government's pledge that "food security is national security".

A Defra-funded modelling study [recently published](#) by Natural England considered the impact on food production of a number of land use scenarios based on current environmental policy objectives.

The study's authors warned that UK food production could decline by up to 25% by 2050 if the most ambitious climate and biodiversity targets are enacted.

According to the study, the scenario likely to hit food production the hardest was a projected eight-fold increase in the organic area, in line with the EU's Green Deal 25% target.

Commenting on the study, *Private Eye's* regular farming columnist Bio-Waste Spreader noted that: "*Despite its own agency's warnings, Defra refuses to concede there is a looming crisis*", adding that the department's policies "*will only result in ever more imports (the UK already imports 40 per cent of its food and so runs a £28bn food trade deficit)*."

In reality, the evidence suggests that the impact on food production could be even worse, since the Natural England study relies on highly optimistic figures about organic yields compared to conventional. Tucked away in the supplementary information is an explanation that, based on a [2012 study](#) by de Ponti *et al*, the yield penalty of organic production was estimated at just 20% behind conventional.

This figure is seriously out of line with the conclusions of many other peer-reviewed studies, which put the organic yield penalty at closer to 40%. A 2021 [meta-analysis](#) by Roberto Alvarez, for example, estimated a productivity gap of 29% to 44% between organic and conventional, depending on crop type, while a [2019 study](#) published in *Nature*, examining the impact of a 100% switch to organic farming in England and Wales, predicted a 40% drop in food production.

So the headline 25% drop in food production predicted in the Natural England study is likely to be a gross under-estimate.

Here's some more food for thought.

A [2022 study](#) published in the journal *People and Nature* by researchers at the Universities of Cambridge, Leeds and Glasgow compared the taxpayer costs of different farm policy approaches to meeting future biodiversity and climate objectives.

It concluded that a land sparing approach of focusing some land entirely on high-yield food production to allow more space for nature on unfarmed land would be far more cost-effective than prolonging the current land sharing approach of paying farmers to adopt lower-yielding production systems. To achieve the same overall outcomes, the study concluded that sharing will cost the taxpayer twice as much and see loss of 27% more food production, while potentially also increasing environmental damage in food-exporting countries and reducing the space available for wild species that cannot live on farmed land.

Faced with such pressure on the public finances, and given the Labour Government's pledge to deliver food security and nature recovery in a just and equitable way, this study's findings should inform a fundamental reassessment of the funding and direction of England's Environmental Land Management Scheme.

The British taxpayer should not be subsidising the production of food most people cannot afford.

Time for a Ministerial rethink.

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