

Leaders | Country first

England has shown the world how to replace farm subsidies

A rare Brexit dividend



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A common belief among farmers, though one generally uttered quietly, is that their neighbours could be doing a better job. Perhaps they have sown wheat too early, or failed to tackle weeds. The same spirit of one-upmanship might be applied to entire countries. Some have better farming policies than others, wasting less public money and boosting productivity more than pollution. Surprisingly, England has earned the right to look down on others.

Brexiters who claimed that leaving the European Union would lead to superior policies have been wrong about most things—but when it comes to farming, they were right. Under the EU's common agricultural policy, Britain mostly paid farmers to farm, handing out subsidies per hectare. Northern Ireland, Scotland and Wales still do a lot of that. But England, which has distinctive farming policies just as it has distinctive education policies, has remorselessly slashed such payments. They will vanish entirely next year.

To get public money, English farmers must now choose to do things that provide public goods, such as establishing hedgerows or growing plants that feed insects and birds. Some activities, such as monitoring the condition of the soil, pay a few pounds per hectare; others are worth much more. "Agri-environment" schemes like this have existed for years, in England and elsewhere. But England is unusual in redirecting almost all its farm payments towards them. In the EU, only a quarter of farm payments go to schemes of this sort.

Although it is too early to tell if England's approach is boosting biodiversity or cutting greenhouse-gas emissions from agriculture, the early signs are encouraging. Livestock numbers are falling, tree-planting is rising and more land is being left fallow. The blow to food production is likely to be small. Farmers mostly seem to be putting their worst land into environmental schemes—the bogs, slopes and awkward field corners where they struggle to manoeuvre a tractor.

Fears that they would be unable to cope with the loss of subsidies have proved groundless. Only 1,200 of England's roughly 100,000 farmers took government grants to quit, and some of them were probably going anyway. Profits have held up, admittedly owing in part to Russia's invasion of a big cereal producer. Farmers have not only learned to apply for environmental grants; they are also making better use of their land and buildings. They rent fields to solar-power producers and cottages to holidaymakers.

The removal of per-hectare subsidies has made farming harder and riskier, which may explain why the land market has cooled. Since the Brexit vote in 2016 the price of ordinary arable land in England has increased by 12%. In Scotland and Wales, which have been slower to abandon per-hectare payments, it is up by 46% and 33% respectively. Good farmers in England should find it easier to expand as a result, or to acquire land for the first time.

The scheme could be bolder. As well as paying for environmental activities, the government could try spelling out desirable outcomes, such as more birds or less flooding in a given area, and then invite farmers to bid to achieve them. The ruling Labour Party has made some peculiar decisions, such as capping the amount of environmental payments per farm. That move might seem intuitive to a party that has always disliked large landowners, but it makes no ecological sense. A flower is no less attractive to a bee if it grows on a big estate.

Policies can always be improved. England's feat is to have herded farmers into a new system of environmental incentives at high speed, with minimal bleating. Although angry farmers have driven their tractors to Westminster, they were protesting against changes to inheritance tax, not subsidy cuts.

More drastic policies are available. New Zealand abolished agricultural subsidies in the 1980s and replaced them with nothing. It ended up with an innovative, market-oriented industry. But New Zealand needs to control agriculture, too, not least because its cows belch so much climate-altering methane. With few carrots to offer, it is struggling. England's gentler approach may prove more fertile.

Britain | A new agricultural landscape

English farming is changing quickly, for the better

A lesson to other countries

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Photograph: Getty Images

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One of the fields in James Bowditch's farm is a nuisance. It is oddly shaped, resembling a lower-case "r", and is on a slope. Mr Bowditch, who farms about 2,700 acres (1,100 hectares) in Dorset, in southern England, used to grow wheat on the whole thing. These days he grows wild flowers on the most awkward quarter of the field, for which he receives a government grant. If an ambitious environmental project is approved, he will soon start planting trees.

More than two-thirds of England is farmland. That huge slice of the country is changing quickly. Between 2021 and 2025 the amount of arable land that is fallow or used for something other than growing crops more than doubled, from 231,000 hectares to 545,000 (a tenth of the total). The number of breeding beef cattle in England is falling, as is the number of sheep. Last year trees were planted on more land than at any time for 20 years.

This is a deliberate, managed change. Since leaving the European Union and its common agricultural policy in 2020, England has slashed traditional farm subsidies and redirected money to environmental activities. Despite setting some bold targets for cutting agricultural carbon emissions and aiding pollinating insects, the EU still pays farmers simply for farming.

If the transition comes off, England could become a model for other countries, starting with Scotland and Wales, which have been reluctant to abandon the old subsidies. It would be a rare example of Brexit leading to progress. Despite some snafus, the switch is going well so far. Farmers are adjusting to the new payments system and the land market is changing in benign ways. But a nasty crunch is coming.

The thinking behind England's agricultural transformation was outlined in 2018 by Michael Gove, a Conservative minister. Per-hectare subsidies did not work, Mr Gove argued. They pushed up land values and impeded innovation. The state should instead pay farmers for providing public goods, especially environmental ones. Despite objections from groups such as the National Farmers' Union, which has tried to argue that food production is a public good, Mr Gove's vision has prevailed.

Subsidies have been cut relentlessly since 2021. They will disappear entirely next year. Farmers can pick from a new menu of environmental actions with distinct payment rates. The grant for leaving crop stubble over the winter, which enables skylarks and yellowhammers to build nests, is £58 (\$78) per hectare. The grant for sowing wild flowers is £739 per hectare.

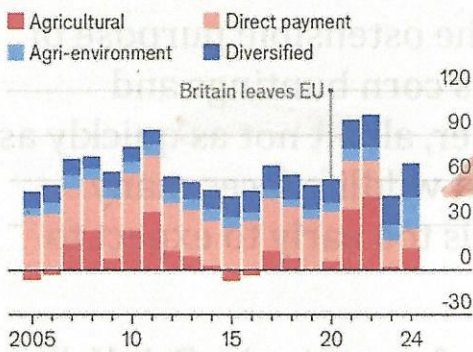
It has been a bumpy transition. Some environmental options have had few takers, while others have been too popular. Arable farmers put a startling 75,000 hectares of land into a scheme that paid for growing plants that feed birds in winter. More than 200 of England's roughly 100,000 farms took at least four-fifths of their land out of production, spurring the government to clamp down. It is a bad result if Britain grows no food on good land and ends up importing more grain from countries with lower environmental standards, says Lydia Collas of the Green Alliance, a think-tank.

Helen Radmore, a livestock farmer in Dartmoor, complains that the national menu ignores differences in climate, soil and ecology. Upland farmers like her can apply for grants to graze cattle and sheep at low densities, which in theory improves moorland. But Dartmoor is afflicted by purple moor grass, a nuisance species. Low-density grazing seems to encourage it. "You cannot have the same stocking rates from Cumbria to Cornwall," she argues.

And the new system has been rolled out clumsily. In March 2025 the agriculture department announced that the budget for environmental schemes had been exhausted and that no new applications would be considered. The system will reopen only in June. Earlier this year the government suddenly announced it will cap payments per farm. Farmers are used to dealing with wild fluctuations in the weather and in commodities markets. It would have been nice if green payments had been the exception.

A varied crop 1

England, income per farm, £'000
2025 prices



Source: Farm Business Survey

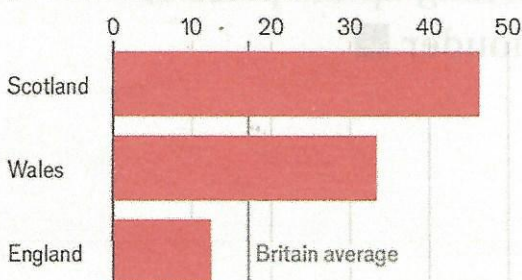
Chart: The Economist

Still, farmers have adapted. The average farm generated income of £71,000 in the 2024-25 fiscal year (see chart 1), about the same in real terms as when Mr Gove made his speech. What farmers have lost in subsidies they have gained in environmental payments and in income from non-agricultural activities. Almost three-quarters have diversified into things like solar power and what Mr Bowditch calls “farming people”—renting cottages to tourists. A survey in April 2025 showed that just 6% planned to stop farming in the next five years and do something else instead.

The subsidy cuts mostly seem to have persuaded farmers to stop doing things that were neither good for nature nor produced much food. Mark Peters, a tenant farmer near Brighton, used to grow wheat on marginal fields, reckoning that subsidies would pay much of the rent even if the crop failed. The cuts have made that too risky, so he has switched to farming livestock on all but the very best land. “The safety-net has gone,” he says.

Acres apart 2

Grade 3 arable farmland*, average value per hectare, % increase 2016-25



Source: Savills

*Average quality

Chart: The Economist

The proof of Mr Gove’s contention that subsidies are simply capitalised into land values would be a slump in values. That has not happened, possibly because farmland is desired by people other than farmers, including rewilders and privacy-seekers. But Savills, an estate agent, estimates that the price of average-quality grade-three arable land in England has risen by only 12% over the past decade. Prices in Scotland and Wales, which still dish out large

subsidies, have risen much more (see chart 2). Farmland rents are falling gently.

As yet there is little sign that nature is recovering—the ostensible purpose of the new system. With some happy exceptions, such as corn buntings and skylarks, farmland birds continue to decline in number, albeit not as quickly as half a century ago. Butterflies are faring no better. But wildlife faces many threats, including climate change. Ms Collas thinks it is too early to expect to see signs of improvement.

More ambitious schemes are hatching. Mr Bowditch's farm is in the Brit Valley, where more than 50 farmers have clubbed together to pitch a "landscape recovery" project to the agriculture department. If approved, the entire river catchment will change, with more traditional meadows and trees planted on steep slopes to slow runoff and prevent flooding. Though hard to concoct, such schemes should be better tailored than the one-size-fits-all menu.

Two big problems remain, like persistent bogs in a wheatfield. The first is that one-third of English farmland is cultivated by tenant farmers, who hold leases that can be as short as one year. Environmental schemes do not suit them well because the government generally pays for interventions lasting three years. Landscape-recovery projects can last for 20 years.

The second problem is the fluctuating economics of food. Soon after the government started cutting subsidies in England, Russia sent tanks into Ukraine, one of the world's great grain producers. Cereal prices shot up, delivering giant profits to English arable farmers in 2022 and 2023. In 2024 dairy prices jumped. But cereal markets have returned to normal and the milk price has crashed. Beef and lamb prices remain high, though they appear to be falling. The war in the Middle East is already pushing up the price of fertiliser. Calls for a return to subsidies may grow louder. ■