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**“Born out of crisis”: an analysis of moorland
management agreements on Exmoor
Final Report**

Matt Lobley, Martin Turner, Greg MacQueen, Dawn Wakefield

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The views expressed in this report are those of the authors. They are not necessarily shared by other members of the University, by the University as a whole or by the MacEwen Trust.

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Executive summary

Introduction

E1 The Exmoor moorland Management Agreement (MA) system has an important place in the evolution of contemporary land management on Exmoor as well as approaches to agri-environmental management more generally. Since the inception of the MA system, the Agricultural Economics Unit of the University of Exeter, now the CRR, have collected data on the profitability of Exmoor hill farms in order to provide the basis for the calculation of the annual MA payment. As the remaining agreements come to a close and to coincide with the Park's 50th anniversary in 2004 this project will help tell part of the Exmoor moorland management agreement story.

Objectives

E2 The overall purpose of the research is to provide an objective review of the development and performance of the Exmoor MA scheme over the past quarter century, taken in the context of society's changing expectations of hill farming. The specific objectives of the research are:

1. Undertake an historical analysis of Exmoor management agreements, tracing the relationship between the changing profitability of hill farming and the value and contribution of MA payments. A particular focus will be the role of the MA payments in maintaining the viability of Exmoor's livestock farming systems, and thus the scheme's contribution to the social well-being of the area.
2. Review the changes in those broader factors, which have provided the economic context in which farming on Exmoor has developed over the past quarter of a century. These include European and national policy instruments and changes in market conditions for cattle and sheep.

3. Discuss the possible contribution the Exmoor MA system has made to the improvement of the natural environment and ecology of Exmoor, through its modification of farming systems and practices.

Methodology

E3 The research undertaken for this project involved a range of activities most of which were desk-based. Analysis of much of the statistical data arising from the work done by the University for the MA scheme over the years, taken together with use of the Centre's research database on farm economics, was used to address the first of the objectives listed above. Second, a summary of the evolution of agricultural and environmental policy over the period and a critical overview of the general business conditions in which Exmoor's hill farmers have operated were undertaken to meet the second objective. Third, we undertook a brief review of the literature dealing with environmental and ecological changes on farmland within Exmoor National Park over the period. In addition, in order to provide context as well as a human perspective on the MA system a series of face-to-face interviews were undertaken with a number of key actors from the time of the inception of Exmoor management agreements and those involved today to provide a broader perspective on the scheme and the changes in Exmoor's hill farming. The list of interviewees was drawn up with the assistance of members of the Malcolm MacEwen Trust.

Context

E4 Exmoor has been described as a "soft upland" (Thomas, 1989). In comparison with other upland areas, the physiographic characteristics of Exmoor, flatter topography, good soil composition and mild climate, made this area a prime target for land 'improvement'. Strongly encouraged by generous grant aid and a policy drive to increase production, moorland improvement and ploughing on Exmoor during the 1960s and 1970s came to be characterised as a conflict between farmers and conservationists. It appeared that the characteristic defining feature of Exmoor – its moorland was under threat. The Porchester inquiry (which reported in 1977) calculated that 4,900 ha of moorland had been lost between 1947-1976 and that another 1,380 ha were at risk in the near future. The combination of a change of

government in 1979 and the willingness of a few Exmoor farmers to pioneer a new approach to conservation management on farmland meant that Porchester's recommended compulsory Moorland Conservation Orders were never implemented. Instead, for a relatively short period the Exmoor approach to Moorland Management Agreements provided a blueprint for management agreements nationally.

E5 The broad aims of the Exmoor Management Agreements included:

- Maintenance of existing vegetation characteristics (moor & heath) through appropriate grazing levels, swailing and practices for the reduction of invasive species.
- Adherence to the rules of good husbandry (Section 11 of the Agriculture Act 1947) by all MA landholders.
- Land designated as ‘moor and heath’ or ‘other moor and heath’ to have constraints on improvement, either complete or specific.

E6 The Exmoor MAs represented a ‘straightforward’ attempt to correct for a classic problem of *market failure*. Since the market in which Exmoor hill farmers operated failed to price environmental outputs which were valued by society as a whole, the scheme offered farmers a financial return from the provision of environmental outputs (i.e. retaining moorland). Before the scheme existed, the market situation was such that the individual farmer could not benefit from exercising a responsible approach to his farming’s impact on the natural environment; indeed, where farmers *did* refrain from fully exploiting the income-generating potential of their farms (by reclaiming heather moorland for more intensive production, for example) the scale of their financial loss could be demonstrated.

E7 A key aspect of the Exmoor scheme, and one which would influence national policy, was the linking of the financial compensation to the potential ‘profit foregone’ by the farm business; in other words, in recognition that farmers who provided better environmental outputs would suffer a financial penalty (by comparison with their position were they to carry out the proposed ‘improvement’),

the scheme attempted to redress the balance. The level of financial compensation, for each of the range of management restrictions, was agreed jointly by the Exmoor National Park Committee, the Country Landowners' Association and the National Farmers' Union; in practice this was based closely on an annual updating exercise of the scale of profits foregone carried out by the University of Exeter's Agricultural Economics Unit (later to become the CRR). There was also provision for the Land Tribunal to arbitrate where disagreement about the compensation offered could not otherwise be resolved.

E8 Following the signing of the first Exmoor MA, moorland reclamation by ploughing has largely been halted. The progressive withdrawal of a range of improvement and reclamation grants during the 1980s largely removed the objective threat to moorland and, over time, as knowledge improved, the agreements became more sophisticated in terms of requirements regarding stocking rates, winter feeding, swailing, etc.

E9 Compared to today's standards, simply paying someone for not ploughing, compensating for the loss of ploughing grants and even condoning limited ploughing and improvement (such as lime applications) may seem a fairly crude and possibly even ineffectual approach to agri-environmental policy. Paying for conservation and enhancement, recognising and rewarding the role of the farmer in delivering public environmental goods is widely accepted today. That was not the case during the formative years of the Exmoor management agreements. At the time of their inception, Exmoor moorland management agreements required a considerable reassessment of the role of a farmer. Participating farmers were voluntarily forgoing a portion of their property rights and refraining from significant agricultural improvement at a time when the policy ethos and farming culture stressed the importance of increasing production. The early participants helped establish a radical and untested approach to reconciling conflict between farming and conservation.

E10 Some of the early pioneers played an important role in legitimising the concept of management agreements and, as such, helped contribute to a process of

changing attitudes on Exmoor. The last twenty years have seen a major cultural shift on Exmoor and management agreements have played an important role in bringing it about. The management agreement ‘story’ spans a time of conflict when moorland was being ploughed and threats being made, through to a time that saw the beginning of partnership working between the National Park Authority, farmers and land owners. The change in attitude and impact on the relationship between farmers and the National Park Authority is one of the most important legacies of the MA system (although it will never be possible to disentangle the precise role played by MAs in this change compared to other changes in the policy environment, the economics of farming, changing societal demands, etc).

E11 With hindsight it is easy to be critical of the compromises made at the time, the moorland lost under management agreements and the emphasis (at least in the early years) on maintaining an area of moorland as a landscape element while seemingly giving little thought to its quality and the wider landscape and habitat mosaic. However, as one interviewee remarked, the original agreements were “born out of crisis”. All the evidence pointed to a considerable threat to the moorland of Exmoor and the MAs initially, and the removal of so-called improvement grants a few years later, effectively neutralised that threat. Importantly, the management agreements bought time, allowed tensions to ease and provided a sound foundation on which to build new initiatives. Although many interviewees found fault with the system for its focus on the quantity of moorland rather than quality, the fact that significant areas covered by MAs are designated as SSSIs and some as cSACs indicates their national and international conservation importance.

E12 The legacy of the moorland management agreements is diverse and long lasting. For better or worse, the Exmoor approach provided the blueprint for compensation arrangements under the 1981 Wildlife and Countryside Act; MAFF used agreement holders land to run courses on multipurpose land use for its staff, and the MA experience influenced the development of the Park Authority’s own whole-farm agri-environmental scheme and, by extension, influenced European policy through the development of ESAs. The Exmoor MAs, or more precisely, the means of

calculating compensation payments, demonstrated how expensive conservation could be to the exchequer and via their influence on the WCA 1981, Exmoor MAs stimulated thinking about alternative means of paying for conservation.

E13 Although individually negotiated management agreements with compensation for profit forgone were a relatively expensive way of addressing conservation objectives, economic analysis indicates that the agreements were associated with cost savings at a national level (compared to the costs of reclamation and improvement) and that the compensation payments potentially made an important contribution to farm income and farm viability and also contributed to a modest reduction in income risk.

E14 Perhaps most importantly, despite their limitations when analysed from a contemporary perspective, the MAs, rather than marking the end of moorland conflict on Exmoor, represent the start of a process, that is still evolving, towards a system where sustainable and environmentally enhancing land management is rewarded and environmentally damaging actions are socially unacceptable and are met with financial sanctions. In less than twenty years we have moved from a situation where farmers were offered grant aid to destroy important environmental assets to a policy environment where they are increasingly paid for supporting the environment and penalised for damaging it. Along with some other environmental conflict zones from the 1970s and 80s, Exmoor National Park and individuals such as Malcolm MacEwen played a pioneering role in that policy change.

Chapter One

The economic and policy context

Introduction

1.1 The designation of Exmoor National Park in 1954 recognised the importance of the open character of much of the area and, in particular, its moorland. However, the moorland that the park was charged with maintaining and enhancing was soon under threat and the following years saw extensive moorland loss and the fragmentation of remaining moorland (Lowe et al, 1986). The ensuing moorland conflict and debate eventually lead Exmoor NPA, in collaboration with farmers, land owners, the CLA and NFU to pioneer a new system of moorland management agreements. Indeed, for a short time, Exmoor was the only location operating wholly voluntary management agreements (Brotherton, 1990). Only two agreements now remain and in the twenty-five years since their inception much has changed. Once castigated for their ‘theft of the countryside’ (Shoard, 1980), many farmers now work in partnership with statutory and non-statutory organisations as ‘stewards’ of the countryside. The purpose of this chapter is to review the policy and economic changes affecting farming over this time and to review the development of Exmoor moorland management agreements. In doing so, this chapter provides the context for the remainder of the report.

The policy and economic context

1.2 It is widely acknowledged (e.g. Task Force for the Hills 2001; Winter et al 1998) that hill farming faces serious economic, social and environmental problems. The uplands are characterised by very poor soil fertility, low productivity, a harsh climate, difficult terrain and remoteness. These handicaps have long been recognised through the provision of agricultural support in the form of headage payments for breeding livestock throughout those areas designated as Less Favoured Areas (LFAs), which cover 2.2 million hectares of England, approximately 1 per cent of English agricultural land.

1.3 Between 1975 and 2000 subsidy payments were made through the Hill Livestock Compensatory Allowances scheme. Initially intended to be social in nature, these payments have caused environmental concern as they were seen to encourage intensification of management practices, thereby reducing the environmental quality of upland areas. The CAP reforms of 1999 introduced a new Hill Farm Allowance scheme to replace the headage-based HLCAs with payments now being made on an area basis.

1.4 The uplands of England are recognised as being of high environmental, biodiversity, amenity, archaeological and cultural heritage and landscape value and as such tend to be covered by designations such as national parks, SSSIs and AONBs. As the Task Force for the Hills (2001) declared, they are also priority areas for agri-environment schemes such as Environmentally Sensitive Areas (ESA) designations and the newer Countryside Stewardship Scheme (CSS). All these qualities serve to reinforce the public perception of the hills and uplands as a special place (Bullen et al 1998).

1.5 The policy focus in the uplands, therefore, centres around trying to ensure appropriate policy mechanisms to achieve both a financially viable farming industry alongside protecting, maintaining and enhancing the physical, biological and social environment. As farming incomes have declined in recent years so the issue of how to manage and enhance the uplands as a ‘public good’ has become more pronounced and challenging in the policy debate. There can be no doubt that the English uplands are truly multifunctional and Exmoor furnishes an excellent illustration of this feature, its farm economy providing not only income for farmers and traditional food commodities but also a wide range of other goods and services for society as a whole (Cahill 2001; Pretty et al 2001).

1.6 One of the key issues facing hill farmers is that incomes on these farms are typically extremely low compared to other sectors, and the sector also suffers from a declining workforce with few new entrants. In an attempt to boost farm incomes farmers have tended to increase flock size to attract larger subsidies through the Sheep Annual Premium Scheme (SAPS) and HLCA payments. After the introduction of the European Community’s sheepmeat regime in 1980 there was a sharp increase in sheep

numbers in the UK – 40 per cent in England alone (Egdell et al, 1993). Thus when ewe quotas were introduced following the MacSharry reform of the Common Agricultural Policy (CAP) in 1992, though they helped to stabilise sheep numbers, they did so at historically high and, arguably, unsustainable numbers. It should be noted that this was not the same story uniformly across Europe, where countries such as France, Hungary and Poland suffered from falling flock sizes.

1.7 Increased sheep numbers did not provide for sufficient returns to maintain incomes in the hills. The late 1990s witnessed a collapse in incomes for LFA cattle and sheep farms in England, with average incomes between 1998 and 2001 lower than those for any other year since 1977 (TFH, 2001). Hill farms are dependent for their viability upon direct subsidies (Drew Associates and Exeter University, 1997), particularly livestock subsidies, HFA payments and, increasingly, agri-environment scheme payments (TFH 2001). Direct subsidies of one kind or another have long formed most or all of the recorded farm incomes on hill farms. The threat to farm incomes has wider social implications, of course. The cultural and social significance of farmers and the role they play within rural communities is increasingly recognised as an important part of the fabric of rural areas.

1.8 Increasingly, of course, farmers are turning to diversified activities and other sources of external income. Tourism has been well established in LFAs for many years and in the early 1980s it was estimated that 20 per cent of LFA farms in England and Wales were involved in tourism in some sense (Davies, 1983). The scale of tourist activity on farms appeared to be small, though, with involvement predominantly through the provision of holiday accommodation.

1.9 Growing concerns over habitat loss have been a dominant feature of the policy debate for at least three decades. The increase in average flock sizes encouraged more intensive use of moorland and unimproved pastures, and this overgrazing has led to the degradation of semi-natural habitats and a loss of biodiversity in the uplands (Hester, 1996, Hills Task Force, 2001). Although empirical evidence for this appears to be limited and fragmentary, experiments in Wales and elsewhere have established a clear link between heavy grazing and heather decline (Hester, 1996). The primary cause of overgrazing is high stocking levels, but the timing of grazing, the nature of

supplementary feeding and the lack of shepherding are also important factors. English Nature has assessed that some 70 per cent of upland SSSIs are in an unfavourable condition due largely to overgrazing, associated in part with the decline in traditional shepherding which has largely become uneconomic. Reduced shepherding has also led to undergrazing in some areas, again with adverse consequences for the semi-natural environment.

1.10 Despite empirical records of environmental losses in the uplands, national evaluation studies of the HLCA scheme in England (1998) showed that farmers in general felt that they were doing ‘a reasonable job’ contributing to countryside conservation in the hills (Drew Associates and Exeter University 1997, Midmore et al, 1998). In England, this seemed to relate particularly to preserving traditional field boundaries, maintaining traditional buildings and retaining natural vegetation. Environmental conditions attached to HLCA payments did not seem to have had an impact upon many farmers in England and over 75 per cent felt that HLCA’s were ‘either effective, or posed no difficulties at all in addressing landscape, habitat of conservation problems’, suggesting that the majority of HLCA claimants may have been operating within prescribed limits by coincidence rather than by design (Midmore et al, 1998). In addition, 21 per cent of farmers questioned had not heard of MAFF’s Code of Good Upland Management at all, implying that significant parts of the LFAs were being farmed without explicit reference to good practice.

1.11 When alternatives to the HLCA scheme were explored in a survey in 1998, one in three respondents in England favoured payments linked to environmental outcomes (with a higher proportion amongst those already in agri-environment schemes) and the same proportion were in favour of area payments. It was the smaller farms that showed the strongest support for greening payments (40 per cent) compared with 25 per cent of larger farms (Midmore et al, 1998).

1.12 For many commentators, the key to conserving the landscape and biodiversity of the uplands has been fundamental reform of EU livestock policies. Since the early 1990s calls have been made (see, for example, NCC 1990) for reform of the HLCA system from a headage to an area based system and its integration with other land management schemes in the uplands (such as ESAs) as well as the introduction of a

degree of regional flexibility within the regimes so that appropriate grazing levels across Europe can be determined (TWTs, 1996).

1.13 The rural policy debate has shifted in recent years from operating ‘within organisational and departmental silos’ (PIU, 2000) to attempting to examine issues concerning rural areas in a more integrated and holistic way. This is particularly relevant for the uplands context where economic, social and environmental issues are so closely intertwined. Current debates and options for the future sustainability of upland areas are set within the context of the Government’s vision for rural areas, as set out in the Rural White Paper (RWP) in December 2000. In order to achieve this living, working, protected and vibrant countryside the Government has set itself a number of Rural Policy Objectives that aim to ‘*sustain and enhance the distinctive environment, economy and social fabric of the English countryside for the benefit of all*’ (p6). These are very much in keeping with the findings of the PIU’s *Rural Economies* report (1999) which argued that ‘*there was a mismatch between the reality of the English countryside today and the inherited policy framework (rooted in the realities and policy instruments of the late 1940s)*’. It advised that a new framework for rural areas was needed whose aim should be ‘*to encourage and support the creation of productive, sustainable and inclusive rural economies*’ (PIU, 1999).

1.14 In particular the RWP places increasing emphasis on:

- the importance of community strength - ‘*prosperous, sustainable and inclusive rural communities*’;
- local partnerships;
- community strategies;
- increased co-operative working between farmers and others in the food chain;
- putting environmental and social objectives closer to the heart of farming policy;
- land based businesses and local products as key to continued rural prosperity;
- ‘*thriving economies in all rural areas which provide good quality employment opportunities and exploit the versatility, entrepreneurial tradition, and, increasingly local green business potential*’ (p73);

1.15 One of the measures introduced as a result of the 1999 CAP reform under Agenda 2000, the England Rural Development Plan (ERDP), is intended to play a role in helping to achieve the objectives of the Rural White Paper and meet the needs of upland areas. Other new schemes were introduced (i.e. the Rural Enterprise Scheme, the Vocational Training Scheme and the Marketing and Processing Grant Scheme) and budgets were significantly increased for agri-environment schemes. Perhaps the most fundamental change for the uplands, however, was the redefinition of the objectives for the uplands at a European level and the changes to upland payments from a headage to an area basis.

1.16 The Rural Development Regulation redefined the objectives of LFA support to include a clearer statement of the importance of maintaining the countryside and protecting the environment. The objectives are stated as:

- To ensure continued land use and thereby contribute to the maintenance of a viable rural community;
- To maintain countryside; and
- To maintain and promote sustainable farming systems which, in particular, take account of environmental protection requirements.

1.17 The HLCAs were replaced by a new Hill Farm Allowance (HFA) scheme, paying farmers on an area rather than a headage basis but this has now been subsumed by the latest reform of the CAP, which will see a decisive, indeed historic, switch from headage payments to area-based payments following a transitional phase (Lobley and Butler, 2004). Concerns have been raised about the redistribution of payments and the impact this will have on land managers, and there is also particular concern about the declining budget. One thing is certain: the debate about the appropriate level of support for hill farming has not gone away, and the issue of farm business viability on hill farms will continue to resurface for many years to come. Evidence from a survey of Exmoor farmers carried out by the CRR (Lobley et al, 2004) suggests that moorland farmers are more likely to be affected by CAP reform and that they will implement a number of adaptive responses including, in some cases, ceasing cattle production and withdrawing from common grazing.

Emerging moorland conflict

1.18 Exmoor has been described as a “soft upland” (Thomas, 1989). In comparison with other upland areas, the physiographic characteristics of Exmoor, flatter topography, good soil composition and mild climate, made this area a prime target for land ‘improvement’ (MacEwen & MacEwen, 1982; Lowe et al, 1986). Indeed, when hill farming subsidies were introduced in 1949, the NFU had to exert strong pressure on MAFF to include Exmoor within the hill line (Lowe et al, 1986). Technological change in the post-war period, grant aid for land improvement and a policy objective of increasing production soon brought conflict between conservation and amenity bodies and farmers on Exmoor. At the time (1960s), the then National Park Committees lacked the political will to implement what powers they did have to prevent moorland loss. In order to clarify the situation, the Exmoor Society commissioned a land use and vegetation survey (Exmoor Society, 1966; Sinclair, 1970).

1.19 The Exmoor Society’s 1966 pamphlet, *Can Exmoor Survive?* published with the purpose of “clearing the ground for action” reported the findings of the technical assessment conducted by Sinclair in the previous year. Sinclair’s land use and vegetation report stated that between 1957 and 1966, the area of moorland on Exmoor had fallen by 3,700 ha from 23,800 ha to 20,100 ha. Exmoor National Park was, and is, a place of natural beauty and history which provides recreation, amenity and public access, at the same time as being a rural community in which people reside and work in occupations including farming and forestry. The Exmoor Society (1966) drew the conclusion that it was imperative to address the problem of sustaining the two interests in a way would compliment each other.

1.20 The Planning Departments of Somerset and Devon County Councils used the Exmoor Society findings to produce a ‘Critical Amenity Map’ (Sinclair, 1970) to define moorland that was considered in need of legislative protection, 17,631 ha in total. The use of powers under Section 14 of the 1968 Countryside Act was recommended to ensure that farmers in specific areas gave 6 months notice of intention to reclaim moor or heathland, to negotiate agreements or implement

Compulsory Purchase Orders (Brotherton, 1990). The National Farmers Union and the Country Landowners Association, however, argued against this approach, negotiating instead a ‘gentleman’s agreement’ of voluntary notification of the intention to reclaim moorland. This did little to stem the growing conflict:

“As a device to control reclamation, the voluntary notification system was a complete failure. Nineteen proposals were notified between 1969 and 1973, but notification did not lead to a single agreement” (Lowe et al, 1986 p.195).

Finding a balance

1.21 The conflict continued into the 1970’s and, following the failure of the ‘gentleman’s agreement’ and the 1974 Sandford Report on National Park Policies, management agreements were recommended as a desirable, flexible and convenient way of allowing land owners to conserve natural beauty. In 1976, the new Exmoor National Park Committee commissioned John Phillips to report on the state of heather moorland. He concluded that the maintenance of low intensity farming systems were essential in areas of remaining high quality moorland: “unless strong and constructive steps are taken along these lines, Exmoor as it is today will go on being eroded, until one day people will wake up to the fact that it has disappeared except as a name on a map” (Phillips Report, quoted in Lowe et al, 1986).

1.22 Around this time, a series of events occurred which lead to the Porchester Inquiry and, ultimately, the development of voluntary moorland management agreements. The Secretary of State for the Environment replied to the Sanford Report in 1976, accepting the report’s recommendations and the need for further legislation to conclude management agreements (Brotherton, 1990). At the time of this response a comprehensive, multipurpose management agreement was under the consideration by the National Park Committee, which had been submitted by its own Vice-Chairman, Ben Halliday. Controversially, under the proposal, approximately 50 ha of ‘critical amenity’ moorland would be reclaimed (MacEwen & MacEwen, 1982). Later that year a second proposal came under negotiation for the reclamation of 120 ha on the neighbouring Stowey Allotment. This represented some 85% of the area of Stowey Allotment.

1.23 The Phillips Report had been suppressed during this time (Lowe et al, 1986), creating additional tensions and the situation was further intensified when, after some months delay, the committee approved the Glenthorne MA (including an element of improvement) and also approved the reclamation of Stowey. Brotherton (1990) remarks that “the committee’s handling of the case may not have been public administration at its best” (p.356). The Countryside Commission subsequently reported the committee to the DoE for its “mishandling of affairs”. The Secretary of State for the Environment and Minister of Agriculture soon responded and announced the Porchester Inquiry in to land use in Exmoor.

1.24 Porchester reported in 1977, redefining the earlier ‘critical amenity’ map drawn up by Sinclair, into two separate maps. Map One illustrated the total area of heath and moorland of Exmoor and Map Two identified areas for which Porchester recommended rigid protection. Map two defines “those particular tracts of land whose traditional *appearance* the Authority would want to see conserved, so far as possible, for all time” (Porchester, 1977, p.52, *emphasis added*). Largely confirming Sinclair’s earlier work, Porchester calculated that the area of moorland on Exmoor had fallen by 4,900 ha, from 23,900 ha in 1947 to 19,000 ha in 1976. Four fifths of the loss was attributable to agricultural conversion (Lowe et al 1986). Of the remaining area of moorland 5,200 ha were estimated to be physically improvable, excluding land in public or National Trust ownership and common land. An independent study carried out at the same time by the University of Exeter (Davies, 1977) estimated that 3,820 of sole right rough grazing had been improved between 1945 and 1976 and that 5,804 ha, or 31% of the critical amenity area was physically capable of improvement. Of this, 1,380 ha were considered at risk in the near future; 11% of rough grazing within the critical amenity area.

1.25 While Davies (1977) suggested a, albeit significant, minority of rough grazing in the CAA was at risk in the short term, Porchester concluded that remaining moorland was fragile. Controversially, (for land owners and farmers) Porchester rejected MAs, largely because of the lack of supporting legislation, but also because he correctly identified that the cause of the problem was not confined to the ploughing

of moorland. He argued that a range of other ‘improving’ activities could bring about the loss of moorland and that MAs would need to offer both compensation for the loss of the right to improve as well as payments for positive works. Porchester concluded that: “even if such arrangements were put on a firmer footing, there would still be difficulty about getting them working effectively” (p.47). Instead, the report recommended that the Exmoor NPA should be given power to make Moorland Conservation Orders (MCOs), the purpose of which would be “to prevent such operations and practices as are likely to alter the vegetation or the general character of moorland to any material degree” (p.58). Critically, MCOs would not be voluntary, although Porchester proposed a right of appeal to the Secretary of State for the Environment. The MCO would have removed the right of the farmer to carry out certain practices that had previously not been controlled and, as such, the farmer would be entitled to compensation. Interestingly, it was recommended that MCOs would not only apply in cases of proposals to reclaim but that a farmer may exchange his/her right to improve at some point in the future and seek to enter into an MCO. In addition, it was recommended that “conservation grants” be made available in addition to compensation payments for further land management practices which “need to be performed in the interests of the National Park” (p.60). Under the Porchester model, compensation would be in the form of a “once and for all capital payment to the occupier as well as the owner” (p.63), although the NFU and private sector valuers argued for annual payments.

1.26 Despite Porchester’s criticism and lack of optimism regarding management agreements, what is less well discussed in most published accounts of the time is the proposal for the Glenthorne Estate submitted by Ben Halliday. While Halliday proposed some moorland reclamation (part of the CAA), in what was to become “Exmoor’s answer to Porchester” the proposal also included positive objectives based on Sandford’s recommendations that management agreements should not just be a ‘restrictive covenant’ (Halliday, 1974). Under the agreement, signed on 29th January 1979, arrangements were made for better access, ecological evaluation and preservation of historic remains. By 1982, sixteen of the twenty-eight projects detailed in the agreement had been completed and seven more started and years later, despite the ploughing allowed under the agreement, it was still regarded as “the best model in

that it is a comprehensive agreement looking at the whole estate, recognising a variety of habitats and multiple land use as well as including an annual review of its management plan” (Thomas, 1989).

1.27 The election of a Conservative government in 1979 removed the threat of Porchester’s compulsory MCOs and the arrangements for the payment of compensation under voluntary agreements on Exmoor closely informed arrangements under the 1981 Wildlife and Countryside Act. Exmoor’s provisions for MAs were bolstered by the introduction of farm grant notification systems for all national parks in 1980 and additionally formalised with the backing of primary legislation under the Wildlife and Countryside Act 1981 (Brotherton, 1990).

1.28 In 1981 Exmoor National Park Authority, in conjunction with the CLA and NFU, published guidelines for management agreements which defines MA’s as an “agreement with any person having interest in land which deals with the management of the land with the purpose of conserving or enhancing its natural beauty or of promoting its enjoyment of the public” (p.5). Farmers entering into such agreements were to be rewarded with annual payments for a fixed term of 20 years to recompense profit forgone. (The operation of the Exmoor MA system is considered in the next chapter.) In return the land manager was obligated to meet the objectives of the specific agreement.

1.29 The broad aims of the Exmoor Management Agreements (Exmoor NPA *et al*, 1981) included:

- Maintenance of existing vegetation characteristics (moor & heath) through appropriate grazing levels, swailing and practices for the reduction of invasive species.
- Adherence to the rules of good husbandry (Section 11 of the Agriculture Act 1947) by all MA landholders.

- Areas in Porchester's Map 1 to have constraints on improvement, either complete or specific.

1.30 Following the signing of the first Exmoor MA, moorland reclamation by ploughing has largely been halted. The curtailment of the moorland conflict on Exmoor in the late 1970's and early 1980s was underpinned by a commitment from Central Government and adequate provision of funding, giving confidence to Exmoor NPA and farmers that satisfactory conclusions could be made on management agreements (Brotherton, 1990). The 90% grant aid afforded to Exmoor NPA and the rapid approval for agreements with annual payments that often exceeded profit forgone by the farmer¹, also contributed to the success of the 'voluntary approach' at this time (Lowe et al, 1986). The progressive withdrawal of a range of improvement and reclamation grants during the 1980s largely removed the objective threat to moorland² and, over time, as knowledge improved, the agreements became more sophisticated in terms of requirements regarding stocking rates, winter feeding, swailing, etc.

1.31 However, the apparent success of the approach has been challenged (Lowe, *et al*, 1986, Brotherton, 1990). In particular, the area of moorland that was likely to be improved has been questioned. Concerns were raised that "trivial and spurious" (Exmoor National Park Officer, 1983, quoted in Lowe et al, 1986) claims might be forthcoming and Lowe and colleagues questioned "whether any proposals now to reclaim moorland within Map 2 are seriously intended to lead to reclamation; they are clearly devices to obtain the yearly compensation cheque" (p.204). The same authors proceed to question the ultimate cost of the agreements (against the cost of land purchase), the fate of agreement land after twenty years and, significantly, point out that a major weakness of the moorland agreements is that they were only triggered by

¹ Given that the payments were based on average profit forgone it was inevitable that some farms would benefit from a windfall gain (see chapter 2).

² The progressive designation of the majority of the moorland area (90%) as SSSI also played a role here although SSSI designation alone has not, in the past, been sufficient to ensure that a site is fully safeguarded. In addition, as LUC (2004) point out large areas of moorland are owned by organisations (Including the NPA) whose main objectives are the "protection of the landscape and amenity value of the moorlands", suggesting that the 'threat' to moorland largely originated from smaller landowners in response to strong policy signals and economic incentives.

proposals to reclaim moorland and that they are confined to moorland management, ignoring wider landscape elements and habitats (although this is not the case for the Glenthorne agreement).

Next steps: The Farm Conservation Scheme and Exmoor Environmentally Sensitive Area

1.32 The concern for moorland did not end with the management agreement system, which was initially at least, based predominantly on prevention of reclamation. Although land ‘improvement’ for agriculture on Exmoor abated, the *condition* of the moorland was not a priority for MA’s (Manning, 1994). The restrictive nature of the MAs came under the scrutiny of various bodies including MAFF and Exmoor NPA and interest in implementing positive land management practices, suggested in the Sandford Report, contributed to the evolution of a new scheme which was able to develop the foundation laid by the early MAs. Under Exmoor National Park Authority’s own Farm Conservation Scheme, introduced in 1990, the whole farm environment was addressed and much emphasis was placed on positive works and management changes rather than simply restricting the ability to plough. Although the scheme was small scale and few agreements remain in force (see chapter 3), the schemes represented an interim stage between the moorland MAs and what was to follow in the early 1990s.

1.33 In 1985, Article 19 of EU Council Directive 797/85, established the concept of Environmentally Sensitive Areas (ESAs). Operationalised through the 1986 Agriculture Act, ESAs would be designated in areas of national environmental significance but which were threatened by agricultural change (either the abandonment of traditional farming systems and/or intensification), whilst being at the same time dependent on particular land management systems (Whitby, 1994; Potter 1988). Although at the time a new departure in many parts of the county, for many years now ESAs, along with the more recent Countryside Stewardship Scheme (CSS) have been the government’s two “flagship” agri-environmental schemes.

1.34 The designation of ESAs came in four rounds; 1987, 1988, 1993, and 1994. Exmoor was designated an ESA in the third stage, in 1993, covering an area of 80,615 hectares, which includes the whole of Exmoor National Park, the Brendon Hills and a substantial strip between the National Park boundary and the rivers Bray and Yeo. (ADAS, 1997). The broad objective of the Exmoor ESA is to “maintain and enhance the landscape character, nature conservation interest and historic value of the moorland and permanent grassland of the area, through the maintenance or restoration of extensive beef and sheep farming systems” (DEFRA, 2003). In a relatively short period of time, the designation of Exmoor ESA reflected the shift from ‘stopping the plough’ to policy objectives for enhancing the condition of heath and moorland.

1.35 Just as with the original (pre W&C Act 1981) management agreements, entry into the ESA scheme is voluntary and the land manager receives an annual payment based, in part, on standardised values for profits forgone. Grant aid is also available for capital works. Farmers enrolling into the scheme sign up to a ten-year agreement with a ‘break clause’ after five years. ESAs are tier-based with tier 1 equating to an ‘entry level’ agreement while higher tiers involve more exacting requirements and a level of improvement (tier 1 is largely concerned with maintenance³). On Exmoor, Tier 1 involves: arable land; improved permanent grassland; low input permanent grassland; enclosed unimproved permanent grassland; moorland; heather moorland and coastal heath. These categories are subject to management agreements which protect the biodiversity value, for example improved grassland has limits to the application of fertiliser in order to maintain but not increase output, whereas moorland has several conditions, including limits on not only chemical inputs, but also on grazing levels and mechanical disturbance. Tier 2 involves revision of agricultural land back to heather moorland and coastal heath and includes not only stocking density restrictions but also complete prohibition of grazing in the winter months to allow regeneration of heather moorland and coastal heath. All land committed to the upper levels of the scheme must adhere to all the prescriptions of the lower tier.

³ Following the first ten years of the ESA moorland and grassland management plans were introduced (the former obligatory and the latter voluntary) requiring active management for SSSIs (90% of moorland) and designed to deliver ‘favourable’ conditions.

1.36 Nationally, ESAs have largely been regarded as a success, at least in terms of the number of agreements signed and area of land enrolled (Wilson & Hart, 2001). In 1997, ADAS published a report based on environmental monitoring of the Exmoor ESA between 1993 and 1996. Uptake at this time varied amongst the habitat types with 76% of unimproved grassland grass enrolled, 44% of moorland and 67% of heather moorland and coastal heath. This early assessment suggested that there was relatively little change in the landscape of Exmoor⁴ or its wildlife and historic resources associated with ESA participation. This is a common finding from ESA evaluations, illustrating the maintenance element of ESA participation but not significant enhancement. By 2004, the amount of land committed to an agreement under the scheme totalled 65,854 hectares, 82% of the ESA, enrolled by 66% of the 900 farms in the area.

1.37 The UK's agri-environmental 'experiment' is about to enter the new phase with the introduction (in England) in 2005 of Environmental Stewardship comprising two 'tiers'; Entry Level Stewardship (ELS) to be made widely available and Higher Level Stewardship (HLS) which will be largely targeted at existing ESA and CSS agreement holders. Full details of the HLS scheme have yet to be made available but, on Exmoor, its introduction may mark a new phase in farm conservation management, with a greater emphasis on enhancement and improvement compared to Tier 1 of the ESA. At this stage it is unclear just how many Exmoor ESA agreement holders will be eligible for the HLS scheme (HLS will be competitive and discretionary in the sense that applicants will be required to reach a minimum threshold under the point scoring system). If large numbers of existing ESA agreement holders were unable to enter HLS there could be significant implications for hedgerow restoration, for instance, as there will be no capital grants for this under ELS.

The extent and condition of Exmoor's moorland today

1.38 Evaluating the current condition of Exmoor's moorland was not a major objective for this research (indeed, the Exmoor Society have commissioned a separate project on the condition of moorland – see Land Use Consultants, 2004), however,

⁴ Although, arguably, hedgerow management has had a significant landscape impact.

before proceeding to consider the financial and operational aspects of the moorland management agreements and the personal perspectives of those involved, it is useful to consider some of the published data regarding both the extent and condition of the moorlands of Exmoor.

1.39 Until relatively recently, much of the policy emphasis has been on the extent of moorland on Exmoor. As the National Park Authority itself states, the moorland and heathland of Exmoor has been in serious decline for the last two centuries. Until recently, reclamation has been the overriding factor in heath and moorland depletion, with intense periods of ‘improvement’ for agricultural purposes around the 14th and 19th centuries and again following the two World Wars (Exmoor National Park, Authority, 2003).

1.40 The various studies of moorland change all employ slightly different methodologies, over different time scales and, not surprisingly, produce slightly differing results. For example, Geoffrey Sinclair (1970) states in the *Vegetation of Exmoor*, that between the years 1913 and 1969 Exmoor lost more than 65% of its moorland, while Lord Porchester reported a 21% loss between 1947 and 1976 and Davies (1977) calculated a 13% loss of moorland within the sole right rough grazing area of the CAA between 1945 and 1976. Using data published by Exmoor NPA (2003) Table 1.1 points to a 29% reduction in the extent of moorland between 1940 and 2000 and illustrates that the reduction in the heath and moorland resource was most pronounced around the 1960’s, at a yearly average rate of 262.5 ha.

Table 1.1: Trends of Moorland loss over the last sixty years

Year	Moor & Heath (ha)	Loss in previous 20 years (ha)	Average rate of Loss per year (ha)
1940	26,500	1,900	95
1960	21,250	5,250	262.5
1980	19,000	2,250	112.5
2000	18,800	200	10

Source: Exmoor NPA 2003

1.41 Although the rate of reclamation has significantly reduced, nationally 70% of moor and heath is in decline or vulnerable (Exmoor NPA, 2003). Table 1.2 illustrates the conditions of SSSIs on Exmoor and indicates that with the exception of Glenthorne (a geological SSSI), several have some way to go to meet the PSA target.

Table 1.2: The Condition of Exmoor SSSIs

SSSI Name	% Area	% Area	% Area	% Area	% Area	Total %	% Area meeting PSA Target
	Favourable	Unfavourable	Unfavourable	Unfavourable	Destroyed/Part Declining	Destroyed	
	Recovering	No change	Declining	Destroyed			
West Exmoor¹	34.11	51.12	10.24	4.53	0.00	100	85.23
South Exmoor¹	6.98	69.33	20.72	2.97	0.00	100	76.31
Exmoor Coastal	51.47	15.82	25.18	7.53	0.00	100	67.29
Heaths¹							
North Exmoor¹	43.51	14.90	36.92	4.68	0.00	100	58.41
Glenthorne	100.00	0.00	0.00	0.00	0.00	100	100.00
Dunster Park &	9.04	10.12	72.01	8.84	0.00	100	19.16
Heathlands¹							
River Barle²	48.54	40.13	11.33	0.00	0.00	100	88.67

Source: English Nature, 2004

¹ SSSIs containing moorland habitats

² Contains a small area of heathland but not moorland

Chapter Two

Management agreements in practice

2.1 This chapter is based on a review of the operation of the Exmoor MA scheme over the past two decades. Based largely on information regarding scheme participation available to the Exmoor National Park, the chapter reviews the uptake pattern over the years in the context of the changing economic conditions of hill farming and the changing policy paradigm. In particular, we have addressed the following:

- An overview of the concept of management agreements in the pioneering context of the late 1970s, from farmers' perspectives;
- A brief summary of the principal features of the Exmoor MA scheme, including modifications in its details (e.g. pre- and post- 1985 agreements);
- An examination of the true economic costs of the scheme from a wider, social perspective;
- A discussion of the economic significance of the scheme in the context of the changing profitability of hill livestock farming.

The concept of management agreements: some perspectives

2.2 The use of 'management agreements' to modify the economic activity of farmers is a comparatively recent addition to the policy maker's armoury, certainly in the rural and agricultural spheres. As the discussion in Chapter 1 makes clear, during the 1970s the often fierce debate between protagonists of what would now be termed 'environmentally friendly farming' and the policy establishment achieved a prominence that came to dominate the farming scene for a considerable period. Although the broader

issues have been well reviewed, from the rather narrower perspective of Exmoor farmers there was often genuine bewilderment about reversing the trend towards the ‘improvement’ of hill moorland.

2.3 Driven originally by the government’s need to secure adequate levels of domestic food supplies in the immediate post-war period, a generation of farmers had grown to accept this policy as an established, socially appreciated and strategically valued contribution to the nation’s well-being. The very term *improvement*, itself, reflects both the original imperative to expand food supplies and the prevailing view of the agricultural policy establishment at the time. Colleges and universities had taught a whole generation of farmers and advisers that modern farming could be equated with maximising the production of food from the land resources available to the business and, with few dissenting voices from within the agricultural industry, this attitude began increasingly to define farming methods. Not surprisingly, it was the imperative to reshape this hegemony that became the focus of much of the ensuing debate (Lowe et al, 1986).

2.4 While there was nothing new in the concept of management agreements, which can be traced back to the early 1930s, their implementation in terms of constraining agriculture had been hampered by both institutional uncertainty and financial constraint (Whittaker et al, 1991). When viewed against this background it is possible even now to begin to appreciate the radical re-orientation required of Exmoor farmers in their initially tentative exploration of the Exmoor Management Agreements scheme. Moreover, the concept of allowing external agencies to exercise an influence, albeit indirectly, on their farming policy and, by extension, on the future profitability of their business, was clearly also a factor which demanded a considerable re-assessment of the role of a farmer. This re-assessment (and arguably eventually, a cultural shift) is reflected in the following chapter on personal perspectives on the Exmoor MA system.

2.5 The rationale for the Exmoor MAs can be clearly expressed in terms well understood by modern policy makers; the scheme was a straightforward attempt to correct for a classic problem of *market failure*. Since the market in which Exmoor hill farmers operated (in this context, but true also of farmers more generally, of course) failed to price environmental outputs which were (and are) valued by society as a whole, the scheme offered farmers a financial return from the provision of environmental outputs. Before the scheme existed, the market situation was such that the individual farmer could not benefit from exercising a responsible approach to his farming's impact on the natural environment; indeed, where farmers *did* refrain from fully exploiting the income-generating potential of their farms (by reclaiming heather moorland for more intensive production, for example) the scale of their financial loss could be demonstrated.

2.6 The recognition of this fed the emerging consensus that there was, and remains, a case for a public authority, acting collectively on behalf of society, to address this market failure on behalf of society by providing farmers and landowners with an appropriate financial return in the context of a voluntary agreement to manage at least some of their farmland to conserve both its wildlife value and its natural beauty. In effect, the scheme allowed farmers to internalise these more widely valued (by society) benefits into decision-making within their businesses, so providing an opportunity for more socially optimum choices to be made between the relative provision of agricultural and environmental outputs.

2.7 One key aspect of the Exmoor scheme was the linking of the financial compensation to the potential 'profit foregone' by the farm business; in other words, in recognition that farmers who provided better environmental outputs would suffer a financial penalty (by comparison with their position were they to carry out the proposed 'improvement'), the scheme attempted to redress the balance. Although the level of such compensation generated a great deal of controversy initially, it is important to recognise that the 'profit foregone' principle greatly helped to reassure farmers about the nature of the contract they were entering, if they were minded to take part in the scheme. In the

context of the pioneering era for agri-environment policy instruments in which the Exmoor scheme was born, this aspect should not be undervalued. Under the Wildlife and Countryside Act (1981) voluntary management agreements with financial compensation became the principal policy instrument for internalising the provision of external benefits by farmers and landowners.

Principal features of the Exmoor MA scheme

2.8 The Exmoor scheme was structured to meet the perceived environmental challenges of the area at the time of its inception. The traditional farming pattern on Exmoor, low intensity grazing by sheep and cattle, was being changed over time through both full and partial land reclamation practices which resulted in improved (i.e. higher) production of animal fodder and would thus allow increases in livestock densities in the specific areas reclaimed. Since a considerable variety of land reclamation and improvement strategies were being, or could be, used by farmers pursuing this route to improving the economic performance of their farm businesses, at first sight the principal characteristic of the scheme is the complexity of options for which compensation could be paid (ENPA, 1981 and subsequent revisions).

2.9 A summary of the guidelines governing management agreements in Exmoor National Park is given in Appendix 1. The principal features are:

- The scheme was restricted to land designated as ‘moor and heath’ or ‘other moor and heath’ (as classified originally under ‘Porchester Map 1’, later replaced by the map required under Section 3 of the *Wildlife and Countryside Amendment Act 1985*.)
- The National Park Committee was explicitly aiming (a) to conserve land through exercising control over land improvements through (b) financially compensating the farmer or landowner for the constraints imposed.
- The level of financial compensation, for each of the range of management restrictions, was agreed jointly by the Exmoor National Park Committee, the

Country Landowners' Association and the National Farmers' Union; in practice this was based closely on an annual updating exercise of the scale of profits foregone carried out by the University of Exeter's Agricultural Economics Unit (later to become the CRR). There was provision for the Land tribunal to arbitrate where disagreement about the compensation offered could not otherwise be resolved.

- The Committee's broad objective under the scheme was pursued through constraints on farming activities, the maintenance of moorland vegetation, improvements to public access and the carrying-out of specific tasks; farmers and landowners were encouraged to apply for financial recompense under any and all of these.
- The scheme used the existing Voluntary Notification Procedure under which a farmer or landowner notified the National Park Committee of an intention to carry out improvements to land.
- For tenanted land the separate roles and interests of landlord and tenant farmer were explicitly recognised, including the implications of management agreements for the level of rents.
- The Guidelines provided three alternative approaches to compensation, depending on the tenure status of the applicant, namely:
 - A lump sum payment for restrictions lasting for all time;
 - A lump sum payment for restrictions over a twenty year period;
 - An annual payment for restrictions over a twenty year period.

The pattern and rate of uptake of management agreements

2.10 The first two management agreements were signed in January 1979, and the Exmoor National Park Committee's experience with those influenced the detailed shape of the scheme when it was formally launched in 1981. Exmoor NPA's records show that over the following twenty five year period some twenty agreements were successfully

concluded, involving 1020 hectares, an average of 51 hectares each but with a range in size from one hectare to 242 hectares. Negotiations were opened with farmers regarding other areas but, for various reasons these did not lead to agreements. Although this implies the rate of failure was quite high, it also indicates a steady growth of interest by farmers in what was, initially at least, a scheme which involved a fairly radical voluntary ceding of control over part of their farms.

2.11 It is impossible to describe the ‘typical’ agreement without being misleading. In what appears to have been a fairly pragmatic approach some of the early agreements involved restrictions on the nature (‘semi-improvement through the use of lime and slag’) and scale (‘some land near the farmstead improved’) of any further land reclamation in return for safeguarding much larger stretches of unimproved land. Nearly all agreements included some specific enhancement to public access, normally through permissive ‘scheme’ paths which link with existing rights of way. Once an agreement was signed, there is considerable evidence of a pattern of continuity for that block of land, whether through subsequent renewal of an agreement, transfer to a new owner, transfer to the later Exmoor Farm Conservation Scheme (introduced in 1990), or transfer to the Exmoor Environmentally Sensitive Area scheme which was launched by MAFF in 1993. Moreover, approximately half of the blocks of land on which management agreements were concluded were subsequently covered by the statutory designations SSSI (Site of Special Scientific Interest) and cSAC (candidate Special Area of Conservation), evidence of their continuing importance in conservation terms.

2.12 Although there is no easily accessible record of farmers’ involvement in some of the more esoteric options available under the scheme, anecdotal evidence suggests that most agreements were for the core ‘full reclamation’ option, to support increases in either sheep or cattle stocking densities. Consequently it was the application of the annual ‘standard offer’ in lieu of full improvement (through ploughing, reseeding and fencing) that was most common.

The true economic costs of the Exmoor scheme

2.13 This section summarises the outcomes of research work done at the University of Exeter in the 1980s which considered the financial and economic costs of administering three alternative approaches to management agreements in the Southwest: those on Exmoor, Dartmoor and the Somerset Levels and Moors, using 1985/86 data. At that time the Environmentally Sensitive Areas scheme had not been introduced to any of the three areas, and management agreements were administered by the Exmoor National Park Committee, the Dartmoor National Park Committee and the Nature Conservancy Council, respectively. Since the results of the analysis were almost identical for the Exmoor and Dartmoor schemes, we will focus here on the Exmoor scheme and that on the Somerset Levels and Moors. Table 2.1 summarises the research findings.

Table 2.1: The financial and economic costs of typical management agreements in Southwest England, 1985/86

MA restrictions	Financial cost including administrative costs (£/ha)	Economic cost to the UK including administrative costs (£/ha)	Economic cost to the EC including administrative costs (£/ha)
<i>Exmoor National Park</i>			
- moorland reclamation	58.60	-49.36	-82.32
- moorland improvement	37.63	-11.48	-27.60
<i>Somerset Levels & Moors</i>			
- drainage/fodder beet	318.86	201.26	-136.24
- drainage/store cattle	204.21	98.45	-169.11

Source: Whittaker, J M *et al*, 1991, p 208.

2.14 While a detailed description of the methodology employed is not necessary to an appreciation of the key findings, it should be noted that the first column shows the actual financial cost of each of the alternative agreements, including administrative costs; the second column shows the true economic costs from the standpoint of the overall impact on UK budget; while the third shows the true economic costs from the perspective of the EC budget.

2.15 The results show that at UK level (column 2) there was an annual economic saving from a typical management agreement on Exmoor, because the resource costs (ignoring externalities) involved in both land reclamation and improvement were greater than the value of output produced *when this is valued at its social value*⁵ (Whittaker et al, 1991). This contrasts with the finding for the Somerset Levels and Moors, which implies there would be a potential gain to the UK economy from improving agricultural productivity and no doubt reflects the vastly greater productivity increases possible thereby by comparison with Exmoor. In column 3 the estimates of the true economic cost at EC level show that even on the Somerset Levels and Moors most management agreements had a negative economic cost, implying economic savings from implementing management agreements to restrict land improvement.

2.16 The main conclusion to be drawn from this research is that agri-environment schemes such as the Exmoor MA scheme performed an important social function during the 1980s inasmuch as they began to point to new ways of managing the interaction between farming and the environment in ways which were both equitable and resulted in real economic benefits to society at large.

The economic significance of the MA scheme to Exmoor farmers

2.17 The economic significance of the scheme will be examined principally from its contribution to farm incomes, since it has to be accepted that the scheme was not designed to impact on the economy of the National Park as such. Brief reference will also be made to desk research which considered the real economic cost of providing ‘conservation goods’ through the Exmoor scheme, from the standpoint of the UK economy.

2.18 The first point of note is that since the payments have been based on profit foregone, the actual monetary value of the ‘standard offer’ has tracked the cyclical pattern of farm incomes over the twenty five year period (Figure 2.1). Within broad

⁵ Social value, a term widely employed by economists, refers to the full costs/value of production not just the private costs borne by the producer.

parameters it appears that, following an initial fall, the real value of the ‘standard offer’ has remained relatively constant throughout. The detailed methodology of the calculation is set out in Appendix 1, but can be summarised as follows:

$$SO = AO \text{ less } (AVC + EUP + ARC + ATC)$$

where

SO = ‘standard offer’

AO = average output

AVC = average variable costs

EUP = existing use potential

ARC = annual reclamation costs

ATC = average cost of additional tenant’s capital

2.19 The methodology has been reviewed every fifth year, and it was agreed in 1990 that the standard offer would be based on a three year moving average to reduce the annual impact of the cyclical changes in profitability on which the standard offer was based. The consequent ‘smoothing’ effect on fluctuations in the annual payment can be clearly seen in Figure 2.1.

2.20 It should be noted that the on-farm significance of the scheme’s payments will have depended very much on the size of the farm, the relative significance of the area covered by the MA and the existing intensity and efficiency of the farm. The impact of MA payments can be examined by considering a hypothetical situation using information appropriate to a typical Exmoor hill farm. This analysis may be taken as indicative of the sorts of economic impact scheme payments will have had at farm level (see Table 2.2).

Figure 2.1 The value of the 'standard offer' in current and real terms

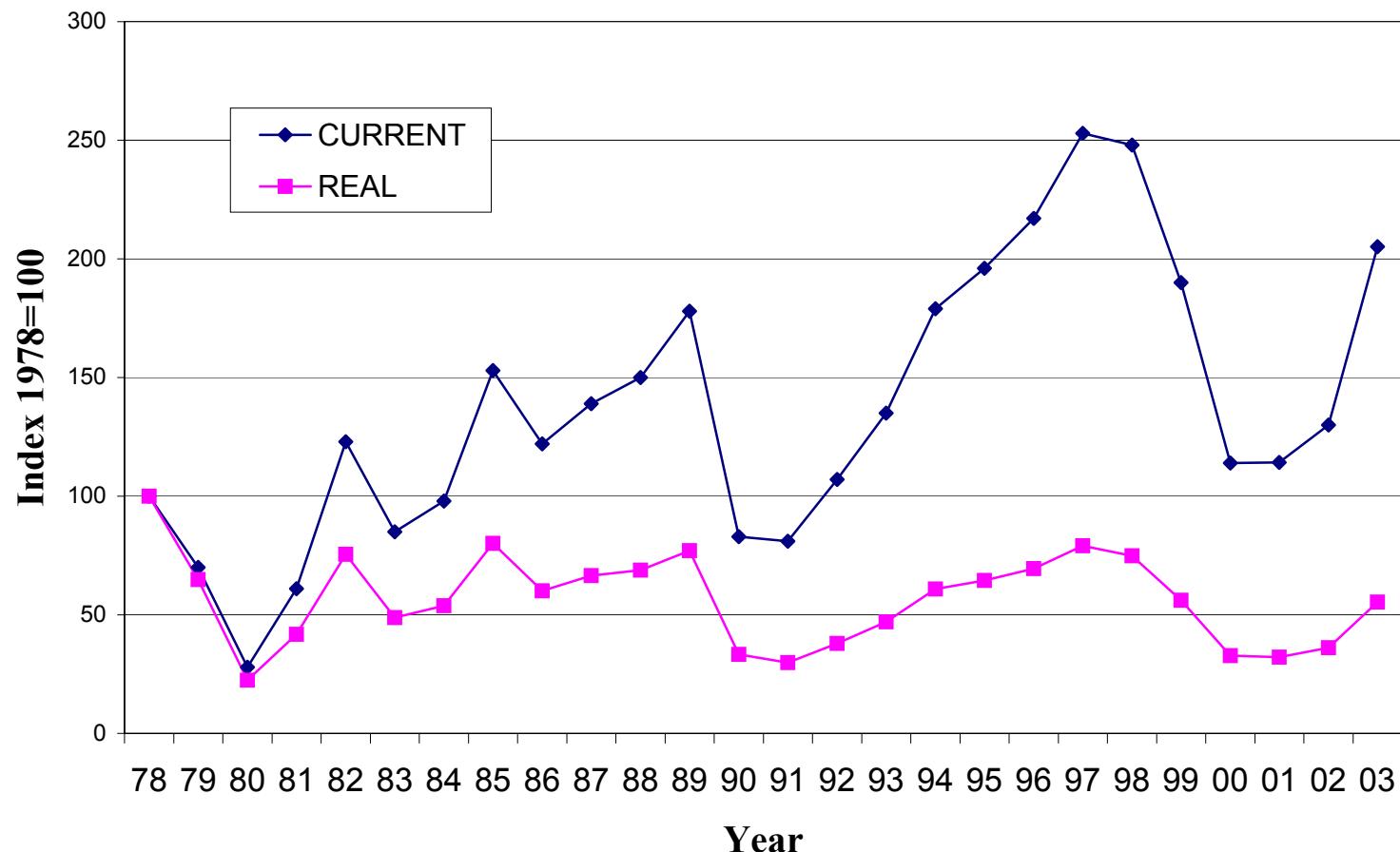


Table 2.2: The farm-level economic significance of MA payments: a hypothetical example using typical data, 2002/03 prices

	<i>£ per farm</i>	<i>Of which MA payment</i>	<i>MA payment as % of:</i>
Farm output	£73,761	£7,729	10.5
Farm gross margin	£48,543	£7,729	15.9
Net farm income	£12,608	£7,729	61.3

Sources: Based on information drawn from the University of Exeter's survey database and the Exmoor National Park Committee's 'standard offer'

2.21 The example identifies the relative importance of MA payments, calculated for a farm entering the mean area of unimproved land into the scheme. At 2002/03 prices, the scheme payments would have contributed an income of £7,729, the equivalent of 10.5 per cent of total farm output, 15.9 per cent of farm gross margin and a very substantial 61.3 per cent of net farm income. At this level it is evident that the scheme has had the potential to make a significant contribution to maintaining the viability of Exmoor farming while avoiding the more dramatic changes to landscape that may have occurred otherwise.

2.22 Several interesting points emerge from this illustration. First, it will be noted that the scheme payments have always been heavily influenced by the level and trend in the profitability of the Exmoor hill farming system. Until 1990, payments were directly related to the returns from sheep production, lagged by one year; since that time, when the three year moving average system was adopted, the influence has been less direct but still very evident, as Figure 2.1 shows. Secondly, this implies that the scheme's financial impact at farm level has been largely determined by the *trends* in profitability and most certainly has not been independent of prevailing market conditions.

2.23 Thirdly, it follows from the basic conception of the scheme's 'standard offer' that payments reflect the average financial performance, with all this implies for better or poorer performing farms: poorer performing farms could expect to benefit from joining the scheme, since they are rewarded by a level of return higher than they could have achieved had the scheme not existed, or had they chosen to ignore the scheme.

For better performing farms, of course, the reverse applies and there appear to have been occasional ‘one-off’ arrangements made in such circumstances.

2.24 Finally, though, it is important to appreciate one of the consequences of the Exmoor scheme’s relative exposure to market conditions by comparison, say, with one of the newer agri-environment schemes where standard payments are fixed for a set period of time. Inevitably, the Exmoor scheme’s contribution to reducing business risk is less than a modern agri-environment scheme might offer, simply because of the potential (and actual) variability of payments. Even so, it can be argued that the farm level importance of the Exmoor MA scheme includes a modest reduction in income risk since the payments are less directly dependent on the market than returns would have been had the farmer not joined the scheme. There is anecdotal evidence that at least some Exmoor farmers recognised this advantage.

Chapter Three

Personal perspectives on moorland management agreements

Introduction

3.1 The Exmoor moorland story has been told before, most notably by the MacEwens' (1982) and in the chapter on Exmoor in the 1986 book, *Countryside Conflicts* (Lowe et al). However, the passage of time and the radically different agricultural and environmental policy context that exists today means that it is possible to see the events of the 1960s, '70s and early 1980s in a different light. Drawing on face-to-face interviews with individuals with close involvement in the evolution and operation of the moorland management agreements, this chapter revisits the origins of the problem of moorland reclamation, the role played by key individuals in publicising the problem and promoting management agreements as a solution, the risks taken by those entering into management agreements, and identifies some of the tangible and also longer term intangible impacts of the MA system. Interviewees included former and current Exmoor NPA employees, farmers, land owners and others involved in land management on Exmoor.

Origins and individuals

3.2 The origins of the 'Exmoor problem', the government incentivised ploughing of moorland and the National Park Authority's apparent inability to do anything about it have been well documented elsewhere as well as earlier in this report. Arguably, less attention has been given to the role played by individuals in highlighting the problem, contributing to the evolution of voluntary agreements and giving them legitimacy among the farming community. As Chapter One indicated, much moorland loss occurred in the 1950s and 1960s (as well as in the previous century) and one interviewee suggested that the "management agreement system came too late to address the majority of moorland loss". Another offered support for this when he suggested that the amount of reclamation had begun to "level off" by the time the MA system was implemented (although there was still a large area that was feasibly

improvable as long as there were government grants to support it⁶). While the motivation for ploughing can be debated (opportunistic attempts to draw down grant aid or genuine intentions to improve the carrying capacity and therefore financial viability of the farm), the changing economics of livestock production meant that for some the traditional Exmoor farmland pattern of one third in-by and two thirds moorland was no longer viable. The result was that “the plough was setting in. Things that traditionally didn’t ought to be ploughed were being ploughed”.

3.3 However, even in the 1960s at least one “far sighted” farmer and landowner had an analysis undertaken to calculate the income he would forgo by not improving an area of moorland. Ben Halliday, who would play an important role in the evolution of the MA approach, was willing to enter into a management agreement but at the time he was not willing to provide the increased public access which would have been necessary under the only available legislation⁷. He proceeded to reclaim approximately 50 acres (20 ha) of moorland but retained an ancient monument. Halliday gave evidence to the Sandford Commission and was keen to develop a management plan and agreement for his estate as an “experiment” in multipurpose land use. He also warned Sir John Cripps, the chair of the Countryside Commission, that land use problems were looming, that the National Park Committee was complacent and that it didn’t realise what pressures were building. Shortly after that, Malcolm MacEwen became a ministerially appointed member of the committee. Moorland conflict on Exmoor was about to turn in to a very high profile debate.

3.4 Malcolm MacEwen was to play a major role in highlighting, publicising and politicising moorland loss on Exmoor and although farmers interviewed for this project referred to “crossing swords” with him and described him as an “arch-conservationist” there was also agreement that he was essentially analysing the same

⁶ There is an important distinction however, to be drawn between the area of moorland that was technically improvable and the area that was actually at risk. A number of interviewees concurred that the bulk of moorland that was under the ownership of estates, charitable originations and the Park Authority itself was not under threat of ploughing.

⁷ According to Brotherton (1990) there were potentially three pieces of legislation that could have been employed in negotiating moorland management agreements (Section 18 of the Countryside Act 1968, Section 11 of the national parks and Access to the Countryside Act 1949, Section 52 of the Town and Country Planning Act 1971) but none were “ideal”, either not being binding on successors in title, only concerned with access, or incapable of covering positive management actions.

issue and desired the same outcome as many land owners, but that he came at it “from a different angle”:

“in many ways we both shared the view that the National Park was an important national asset and supplied a national need ... He [Malcolm MacEwen] very soon began to bring it [moorland loss] to public notice and the national media. ... He made it into a simple single burning issue that these farmers were destroying the moorland and the government was paying them an 80% grant to do it while another government department was trying to preserve it. Why we crossed swords a good deal was that I was coming from a different angle. I felt the situation was much more complex and that attention was being diverted from nature conservation”.

“Malcolm MacEwen wound up the whole debate to make it contentious and get more media attention and therefore [it was] more likely to get things done”

“....that’s the essential difference between me and Malcolm MacEwen, I felt that it wasn’t just a case of preserving moorland ... it seemed to me you weren’t going to preserve the whole character of being on Exmoor by just preserving the moor. You’ve got to preserve the whole thing. Once the political bullies had joined up everything flowed from it. Now people are beginning to expand the ideal so who’s to say they were wrong to concentrate just on the one issue?”

3.5 A different perspective is provided by an interviewee who stated that: “Malcolm had a tough time on the committee” but who also went on to say that, at the time, the Committee was dominated by landowners and that “they were used to holding the press in their pockets. Malcolm was convinced of the need to let people know what was going on ... He ran rings ‘round most of the members in discussions”

3.6 Other individuals were obviously important but Ben Halliday was the first to sign a formal agreement in January 1979, the first to accept the standard payment offer and tried to “set a good example” of multipurpose land management⁸; Tenant farmer John Pugsley had a voluntary agreement before the system was formalised and promoted the concept of management agreements in other parts of the country; and

⁸ Although Ben Halliday was undoubtedly a pioneer of the MA approach, Malcolm MacEwen remained opposed to the agreement as it involved some ploughing and the diversion of a public right of way.

Malcolm MacEwen ensured that the issue remained publicised and politicised. While it seems that some farmers and land owners found Malcolm MacEwen challenging, his actions ‘got things done’. For example, more than one interviewee argued that in publicising the problem of moorland loss and ‘leaking’ the conclusions of the Philips report, Malcolm MacEwen’s actions led to the Porchester Inquiry. In addition , it was suggested that the willingness of one farmer to voluntarily enter a large area of moorland in to a MA, helped avert the compulsion that otherwise seemed to be on the political agenda and secure a voluntary approach to management agreements (along with a change in government in 1979 – see Lowe et al 1986 for a discussion of the impact of the incoming Conservative government).

Impacts

3.7 The first moorland management agreement was signed in 1979 and others followed in the same year and early 1980s although the number of farmers involved was never large (see below). The impacts of the moorland agreements are diverse, stretching beyond the physical impact on the area of moorland itself, to influences on the relationship between farmers and the national park and informing national policy developments.

3.8 Establishing the impact of MAs on the moorland itself is not as straightforward as it might at first appear. In terms of maintaining the area of moorland on Exmoor the MA system appears to have been a qualified success. One interviewee commented that “management agreements didn’t come early enough”. Another put it slightly differently stating that: “the system did work but the system arrived too late to address the major moorland issues”. Nevertheless, he went on to say that without MAs “most of the moorland would not be in the condition it is now. Most of those with an agreement were very committed to doing something else” i.e. ploughing. Another remarked that the:

“effect of management agreements was not instantaneous but fairly soon afterwards it began to take the heat out of things and more and more did it fade in to the background as more agreements were done”.

3.9 There is little doubt that the majority of Exmoor's moorland has been retained since the development of MAs. One interviewee commented that the agreements "did the job they were designed to do – hold the line". However, while the line was held, largely, the compromises made in negotiating early agreements meant that some moorland improvement⁹ was sanctioned as part of agreements. The emphasis of the early agreements was on retaining moorland on the higher ground and ridges, often at the cost of allowing 'improvement' and even ploughing on lower ground:

"The management agreements as such as they were made at that time didn't make much difference. I think the big difference was the attitude of mind between park and farmers and perhaps the farmers as a whole realising that the environment was actually quite important. This was something that happened, I don't know quite when it happened but it gradually happened"

3.10 It was this change of attitude and the possibly unanticipated but vitally important impact on the relationship between the Exmoor National Park Committee/Authority and farmers and landowners that is arguably one of the most important legacies of the moorland debate as the following quotes illustrate:

"Back in the early '70s, the farmers almost hated the Park. ... As time has gone on they've realised that the Park is not such a bad enemy as they thought it was"

"It was a way of the Park directly engaging with the farming community in other ways than merely problems with footpaths or whatever and I think on the whole it was seen as ... there was a positive element to it anyway."

"... it meant that the National Park Authority were coming along and saying 'thou shall not' if they'd had legislation to stop [ploughing] but it was much better for the National Park Authority to come along and say 'shall we?'. It made a tremendous difference and it held the National Park Authority in fairly high esteem because of that."

⁹ Typically applications of Lime and slag.

“To be honest I think that most conservationists have had a change of mind set as well, they’re becoming more ... I mean there used to be two very widely diverse opinions and I think there’s been a little bit of the meeting of the ways from both sides ... and I think that national park management agreements has certainly helped that”.

“The atmosphere was ‘lets get our act together, let’s work together, there’s no point in fighting’. Whereas before that everybody was fighting, trying to establish their ground. Weren’t afraid of each other, sort of thing.”

3.11 Despite the apparent success of the MA approach in largely preventing moorland loss that was not approved by the National Park Committee, there were contentious issues to be addressed. Both Mr Halliday and prominent Exmoor farmer, John Pugsley had given evidence to the and Porchester Inquiry, and both were adamant that the one-off payment suggested by Porchester would not work in practise as moorland management was an on-going activity and that payments and agreement conditions would need to evolve in response to other changes; both argued strongly in favour of management agreements with annual payments to help facilitate an on-going commitment from farmers. Fortuitously, the data collected from Exmoor farmers for the Farm Business Survey by the then agricultural economics department at the University of Exeter made possible the calculation of profits forgone on an annual basis. In 1979 the effect was like “opening Pandora’s box. A whole lot of people wanted to jump on the bandwagon”. This lead to two further issues – that of bogus claims and the degree of risk a farmer was exposed to in signing a twenty year agreement.

3.12 In the 1980s the issue of farmers making ‘false claims’ for compensation for agricultural improvements to SSSIs, which some claimed they had no intention of carrying out, was hotly debated. Whist it is not possible to offer conclusive proof on Exmoor there is some evidence of bogus claims but also clear evidence that notifications of intent to plough were frequently backed up by action. In the early days of the system the National Park Committee was effectively negotiating from a position of weakness. As one interviewee put it: “The Park had little power and ... had to go cap-in-hand in negotiation”. Keenly aware that the farmer could “walk

away” at any time during the negotiating processes “the membership of the then National Park Committee would probably not have stomached a too hard line policy and looked to compromise”.

3.13 Despite the threat to Exmoor’s moorland evidenced in earlier losses and the Porchester Inquiry, only 17 moorland management agreements were concluded, although the park received over 100 notifications of intention to plough. Such a large number of notifications translating into relatively few agreements *could* be taken as an indication of success in terms of ‘weeding out’ unsuitable or bogus applications, or as an indication of failure to secure the protection of moorland held by the 83 owners who did not obtain an agreement. There is some support for both perspectives from discussions with interviewees. For example, one reported that many applicants:

“had already done an element of improvement, signalling that they probably would have done much more in the absence of a management agreement. The complexity of the process tended to weed out those not fully committed to improvement”.

3.14 On the other hand, one interviewee who tried to negotiate an agreement certainly had every intention of ploughing his land and after three years of negotiations, on the very day negotiations broke down, he began improving the land in question.

3.15 Another sensitive issue related to the risk associated with entering into a twenty year agreement and the individual negotiation of agreements. In the early days, calculating the annual payment was a “contentious issue … People were not used to it, valuers were not used to it”. The then County Valuer, is alleged to have initially argued that MAs held no risk for the farmers and, moreover, that paying an annual amount for twenty years reduced the commercial risk to the farm business and therefore the annual payments should be lowered to reflect this. It was always accepted that annual payments will fluctuate with the changing profitability of farming on Exmoor but some argued that entering into an MA did involve an element of risk:

“At the end of twenty years you can’t do what you could have done. So, in giving away the ability to improve there was a big risk that you won’t be able to improve in twenty years time”

3.16 One farmer reported that while the MA approach was an “acceptable compromise” he had taken a financial risk when signing his agreement. Indeed, one of his regrets in taking on the agreement is the financial impact of the MA or, more precisely, his hypothetical loss of future policy entitlements. As a result of his agreement his livestock numbers were limited. This meant that he subsequently “lost out” on sheep quota by virtue of the fact that he had not improved his moorland and increased stock numbers and had to buy additional quota. This point of view is understandable but it is a reflection of the risk and compromise made on both sides and it is hard to envisage a workable system that would have left the park open to claims for additional compensation for subsequent policy changes that could not have been foreseen at the time of signing an agreement.

3.17 Risk and compromise affected each party to an agreement, with early agreements allowing some limited ploughing and improvement in order to buy the retention of other moorland blocks, typically the ridges and higher ground. In hindsight, on landscape and biodiversity grounds, agreements such as these were probably a compromise too far and by the mid 1980s “the old agreements had started to look a bit rusty, they looked a bit old hat”. It is easy to forget (particularly for those of us who were never there), just how intensive the conflict over moorland loss had been. One interviewee simply commented that: “definitely a very nasty place was Exmoor back in the 1970s”. As such, compromise on all sides was necessary and it was agreeing the principle of MAs that was possibly of most significance, largely halting improvement and buying time for Exmoor’s moorland:

“the initial management agreements coming out of Porchester, they were the starting point. They were the foundation stone of an arrangement whereby farmers and park worked together. That’s what I’d say. Looking back, they weren’t very clever [due to the extent of compromise] but at the time they were regarded as very clever and I think that the really important thing was about voluntary arrangements as opposed to dictating; that was critical at Porchester, this debate as to whether there should be laws saying ‘thou shall not plough’ or

whether there should be voluntary arrangements. It was very successful as an idea and that was the saviour of Exmoor's moorland, plus taking away ploughing grants. It was an evolving situation... I've no doubt it was a good idea and lead to a good foundation stone”.

3.18 When MAFF grants for land improvement were removed in 1986 the immediate threat of moorland loss was removed (although problems relating to increased stocking levels and supplementary feeding remained) and the “foundation stone” laid by the original MA principle could be built upon:

“There was only a relatively short period between the outcome of Porchester and the [improvement] grants going. Once the grants went there was no threat and that’s when we got off the ground and said ‘okay, let’s get something more positive going here’”.

An evolving situation

3.19 Initially, doing something more positive meant including positive works in new agreements:

“payments for positive works solved a lot of problems but it took a long time to think of it. Payment for positive works unlocked problems but some people didn’t want to do positive works”

“the principle of management agreements had been established [following Porchester] but they were pretty raw. It was only post ’81 where the legislation said ‘lets have management agreements’ and then the stopping of grants in the mid-80s that gave us the chance to start doing things more positively rather than just saying ‘here’s some money not to plough’”.

3.20 The next stage, in what should now be termed the farm conservation story on Exmoor as opposed to just moorland conservation, was the development of the Authority’s own Farm Conservation Scheme (FCS) in 1990. Although the FCS was only a small scale initiative involving 18 farms¹⁰ (a cross section of moorland and non-moorland farms, tenants and owner occupiers and farms of different sizes) it was significant for a number of reasons. The scheme was designed to promote positive management rather than providing compensation for not doing something and, it was

¹⁰ There are eight agreements still remaining.

a whole-farm scheme. To that extent it was more advanced than early tranche ESAs which tended to be part-farm schemes and very much focused on preventing negative change (Whitby, 1994). Although the scheme was designed to be small scale (in terms of number of participants), the National Park Authority received in the region of 120-130 applications and “many were very disappointed not to get in to the scheme”.

3.21 The large number of applicants to the FCS showed, in a relatively short period of time, a change in attitude and increased willingness to work with the Authority. Contrast this with the situation in the 1970s which one farmer described: “the national park was seen as the enemy by many farmers. Something to be outwitted”. What one interviewee referred to as a “sea change” in the attitude of farmers resulting from the MA principle lead to a greater recognition of the importance of the environment and the desirability, or at least the need, for farmers to work with the Park Authority. Hence the evident oversubscription to the FCS. In turn, the FCS proved a key step in the evolution of farm conservation policy on Exmoor. The FCS “will be remembered for a more positive approach to land management and environmental enhancement as opposed to just holding the flood waters”. Moreover, the shared experiences of moorland management agreements and the FCS meant that farmers, farming organisations and Exmoor NPA ‘fought’ together for ESA status for the whole of Exmoor:

“The fact that we’d got our own Farm Conservation Scheme going and produced a different approach to positive management did influence; a) the decision for the ESA to go ahead and b) that it should be done on the basis of all Exmoor and a whole farm approach”.

3.22 Moorland Management agreements and the FCS meant that Exmoor farmers accepted the concept of the ESA more readily. They had been exposed to the principle, were used to the profits forgone concept and of course, as practical, pragmatic and adaptable people, could see that “the writing was on the wall”. Although there was growing recognition of the importance of the environment, one interviewee felt that “farmers [were] attracted by the financial incentive, while another commented that “Exmoor farmers responded quickly to incentives”.

3.23 Nationally, the development of the ESA concept was based on the recognition that achieving conservation objectives often required supporting specific farming systems over large tracts of land (Potter 1988). In addition, the concept developed as a means of tackling the increasingly high costs of conservation under the 1981 Wildlife and Countryside Act which itself was directly influenced by the Exmoor approach to calculating management agreement payments. Explaining the transition to the ESA model, one interviewee stated that the Exmoor agreements were an:

“expensive way of doing things. The cost of management agreements gave a push to Exmoor ESA. Management agreements had become a very expensive way to achieve something which probably the economic forces were no longer creating the need [for]. The concept of increased production had fallen away and the thinking at the time was ‘can we do something else less costly?’”.

3.24 The Exmoor agreements “were the flavour of a particular moment in time” but they were just one expression of what one interviewee referred to as a “watershed period” culminating in the introduction of milk quotas and withdrawal of improvement grants: “suddenly the environment came to the fore”.

3.25 Exmoor ESA, designated in 1993, covers over 80,000 ha, of which, 68,637 ha are within Exmoor national park. To date just under 66,000 ha have been enrolled including over 16,000 ha of moorland and costal heath. Many management agreements were bought out by the NPA in order to encourage and facilitate a progression from moorland management agreement to ESA agreement. In some instances this approach was not completely successful. For example, in one case only part of the area covered by the agreement was transferred to the ESA while the remainder continued in the FCS and in another case it would have proved far too costly to buy out the management agreement.

3.26 Although the ESA has meet with considerable success in terms of uptake, some interviewees spoke with regret that, in some ways, it was not more like the moorland MAs or FCS:

“[ESA] project officer had a ‘hands off’ approach, the management agreements could have been seen as better”.

“Management agreements were successful in meeting their objectives, it’s a pity they didn’t continue. The ESA is not flexible enough to deal with farm specific issues in the way that management agreements did”.

3.27 ESAs, alongside Countryside Stewardship, once considered MAFF/DEFRA’s ‘flagship’ agri-environmental schemes are now closed to new applicants and 2005 will see the next generation of agri-environmental scheme introduced in the form of *Environmental Stewardship* in its Entry and Higher level forms. While Exmoor’s moorland remains important to the purpose and objectives of the National Park, now and in the future the emphasis is “beyond moorland”, looking at the whole landscape and biodiversity, considering hedges, headlands, unimproved grassland and possibly promoting a slightly “less tidy” countryside. A countryside that provides the rough land needed by certain species. It is hoped that environmental stewardship will help meet some of the NPAs conservation priorities although farmers are still facing mixed policy signals. For example, the NPA would like to provide incentives to restore/recreate moorland on previously improved grassland areas and while this would be feasible under HLS the new CAP support regime in the form of the Single Farm Payment (SFP) provides a disincentive to moorland creation as moorland will attract SFP at a lower rate.

3.28 Looking slightly further ahead, discussions over the review of the EU’s Rural Development Regulation could lead to future agri-environmental payments based on environmental quality rather than simply the area of land entered into an agreement. Such an approach would skew payments in favour of ‘conservation rich’ farms, would reward the most effective stewards of the countryside and would provide a direct incentive to address issues of quality rather than simply quantity.

Chapter Four

Conclusions

Introduction

4.1 The agricultural policy environment has been radically transformed since the fierce debates surrounding Exmoor's moorland in the 1960s and 1970s, and while many farmers are understandably reluctant to consider themselves as 'park-keepers', many have embraced the opportunities provided by agri-environmental schemes. The moorland management agreements pioneered on Exmoor have a place in the story of the transformation of the agricultural policy regime and the concept that farmers should receive payment in respect of their role of stewards of the countryside.

Hindsight

4.2 Compared to today's standards, simply paying someone for not ploughing, compensating for the loss of ploughing grants and even condoning limited ploughing and improvement (such as lime applications) may seem a fairly crude and possibly even ineffectual approach to agri-environmental policy. Paying for conservation and enhancement, recognising and rewarding the role of the farmer in delivering public environmental goods is widely accepted today. That was not the case during the formative years of the Exmoor management agreements. At the time of their inception, Exmoor moorland management agreements required a considerable reassessment of the role of a farmer. Participating farmers were voluntarily forgoing a portion of their property rights and refraining from significant agricultural improvement at a time when the policy ethos and farming culture stressed the importance of increasing production. The early participants helped establish a radical and untested approach to reconciling conflict between farming and conservation.

4.3 Some of the early pioneers played an important role in legitimising the concept of management agreements and, as such, helped contribute to a process of changing attitudes on Exmoor. The last twenty years have seen a major cultural shift on Exmoor and management agreements have played an important role in bringing it

about. The management agreement ‘story’ spans a time of conflict when moorland was being ploughed and threats being made, through to a time that saw the beginning of partnership working between the National Park Authority, farmers and land owners. The change in attitude and impact on the relationship between farmers and the National Park Authority is one of the most important legacies of the MA system (although it will never be possible to disentangle the precise role played by MAs in this change compared to other changes in the policy environment, the economics of farming, changing societal demands, etc).

4.4 With hindsight it is easy to be critical of the compromises made at the time, the moorland lost under management agreements and the emphasis (at least in the early years) on maintaining an area of moorland as a landscape element while seemingly giving little thought to its quality and the wider landscape and habitat mosaic. However, as one interviewee remarked, the original agreements were “born out of crisis”. All the evidence pointed to a considerable threat to the moorland of Exmoor and the MAs initially, and the removal of so-called improvement grants a few years later, effectively neutralised that threat. Importantly, the management agreements bought time, allowed tensions to ease and provided a sound foundation on which to build new initiatives. Although many interviewees found fault with the system for its focus on the quantity of moorland rather than quality, the fact that significant areas covered by MAs are designated as SSSIs and some as cSACs indicates their national and international conservation importance.

4.5 The legacy of the moorland management agreements is diverse and long lasting. For better or worse¹¹, the Exmoor approach provided the blueprint for compensation arrangements under the 1981 Wildlife and Countryside Act; MAFF used agreement holders land to run courses on multipurpose land use for its staff, and the MA experience influenced the development of the Park Authority’s own whole-farm agri-environmental scheme and, by extension, exerted an influence at a European level through the development of ESAs. The Exmoor MAs, or more precisely, the means of calculating compensation payments, demonstrated how

¹¹ Compensation paid on the profit forgone basis significantly increased the cost of conservation on a national basis.

expensive conservation could be to the exchequer and via their influence on the WCA 1981, Exmoor MAs stimulated thinking about alternative means of paying for conservation.

4.6 Although individually negotiated management agreements with compensation for profit forgone were a relatively expensive way of addressing conservation objectives, economic analysis indicates that the agreements were associated with cost savings at a national level (compared to the costs of reclamation and improvement) and that the compensation payments potentially made an important contribution to farm income and farm viability and also contributed to a modest reduction in income risk.

4.7 Perhaps most importantly, despite their limitations when analysed from a contemporary perspective, the MAs, rather than marking the end of moorland conflict on Exmoor, represent the start of a process that is still evolving, towards a system where sustainable and environmentally enhancing land management is rewarded and environmentally damaging actions are socially unacceptable and are met with financial sanctions. In less than twenty years we have moved from a situation where farmers were offered grant aid to destroy important environmental assets to a policy environment where they are increasingly paid for supporting the environment and penalised for damaging it. Along with some other environmental conflict zones from the 1970s and 80s, Exmoor National Park and individuals such as Malcolm MacEwen played a pioneering role in that policy change.

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APPENDIX

SUMMARY OF THE GUIDELINES AND OPERATION OF MANAGEMENT AGREEMENTS IN EXMOOR NATIONAL PARK

Introduction

These guidelines are the result of local agreement between the Exmoor National Park Committee, the National Farmers' Union and the Country Landowners' Association. They preceded, and are thus independent of, the 'national guidance' prepared under Section 50 of the Wildlife and Countryside Act, 1981. This introduction is a summary of the principal features of the Guidelines. It must not be used as an authoritative statement of the provisions of the Guidelines.

1. One of the main objectives of the Exmoor National Park Committee of Somerset County Council is to preserve and enhance the natural beauty of the Exmoor National Park. The most important means of achieving this is through influencing the way land is used e.g. entering into Management Agreements with those owning or farming land, entering into access agreements or by acquiring land.
2. These Guidelines are concerned only with those cases where a management agreement is being sought and the land in question is shown as "moor and heath" or "other moor and heath" on the Section 3 Conservation Map published by Exmoor National Park Committee. This Map is that required under section 3 of the Wildlife and Countryside Amendment Act, 1985 and replaces the 'Porchester Map 1'.
3. A Management Agreement implies that the National Park Committee will be aiming to conserve land by controlling agricultural improvements and this in turn implies a financial recompense to the person who owns or farms the land - or both - for the constraints imposed. The function of these Guidelines, therefore, is to show how financial recompense will be assessed and what other arrangements can be made to cover the costs arising from the negotiation of an Agreement.

4. These Guidelines have been jointly prepared and agreed by the Exmoor National Park Committee, the Country Landowners' Association and the National Farmers' Union. The interest and advice of the Department of the Environment, the Ministry of Agriculture, Fisheries and Food and the Countryside Commission is also acknowledged.
5. The Guidelines set out the broad objectives the Committee will expect to achieve in entering into Management Agreements. These can include constraints on farming activities, maintenance of moorland vegetation, improvement of public access and the carrying-out of specific tasks.
6. The Guidelines assume that negotiations for a Management Agreement will nearly always be initiated by a farmer or landowner using the existing Voluntary Notification Procedure to tell the National Park Committee that he intends to carry out improvements to land. This Voluntary Procedure is included in the Guidelines.
7. The separate role and interests of a landlord and a tenant-farmer are recognised. Provision is made both to ensure that a landlord is aware of his tenant's intention to enter into a Management Agreement and to encourage the landlord to become a party to the Agreement. If he does enter into the Agreement, the landlord may receive an acknowledgement payment. The guidelines also say that a Management Agreement shall not be regarded as affecting or prejudicing the assessment of subsequent rents.
8. In any negotiations about a proposed Management Agreement and its financial arrangements, various general principles will apply. These include:
 - MAFF will give limited information to the National Park Committee's officers about the eligibility (if any) of the proposal for MAFF capital grant.
 - Following notification of his proposed improvement, a farmer will be expected not to incur or commit himself to expenditure which might

increase the compensation he is seeking.

- In certain cases where there is delay in finalising a Management Agreement, the farmer will be expected to enter into a Memorandum of Agreement, which will safeguard both sides' position and bind them until the Management Agreement is signed. This will ensure that the land is protected and provides a means for establishing the appropriate payment.
- Subject to prescribed scales and limits, the National Park Committee will meet certain of the farmer's costs arising from the negotiation of the Agreement and may pay interest on the compensation where payment is delayed in certain cases. Provision is also made for the payment of abortive costs in certain cases where negotiations break down.
- Compensation payments may be adjusted to reflect the fact that an improvement proposal may have taken some years to put into effect or give a return.
- Provision is made for the Lands Tribunal to arbitrate on a disagreement about the compensation offered.
- If the Management Agreement provides for public access to the land, or requires other specific works, payments additional to the compensation payments may be made.

9. Depending on circumstances, in particular whether the person offered the Agreement is an owner, owner-occupier or tenant of the land concerned, the Guidelines provide alternative modes of assessing compensation, namely:

- A lump sum payment for restrictions lasting for all time, based on the assessed difference in land value.
- A lump sum payment for restrictions over a twenty year period, based either on the assessed difference in land values or expected loss of profits.
- An annual payment for restrictions over a twenty year period based on expected loss of profits; this figures to be based on a 'standard offer'

derived from an on-going survey of thirty Exmoor farms conducted by the University of Exeter.

Calculation of the ‘standard offer’

The sample

The Centre for Rural Research (formerly the Agricultural Economics Unit) at the University of Exeter calculates the compensation payment (known as the ‘standard offer’) from information collected from a sample of thirty farms on Exmoor. This data is collected in confidence using strict accounting procedures.

Methodology

Annual output and variable costs of the sheep enterprises on each farm are calculated and the results expressed ‘per adjusted forage hectare’. The **standard offer** then equals:

- average output (1) less**
- average variable costs (2) plus**
- existing use potential (3) plus**
- annual reclamation costs (4) plus**
- average cost of additional tenant’s capital (5)**

Every fifth year the negotiating parties meet to reassess the standard offer methodology. The purpose of this exercise is to re-align any deviation in the standard offer payment trend which may have occurred from the updating method used in the four previous years. It was agreed in May 1990 that the management agreement ‘standard offer’ payment should be based on a three year moving average, the earlier figures being revalued for inflation using changes in the Retail Prices Index. A breakdown of how each of the various components of the equation are computed is set out below.

(1) Annual output

The figure for output is the average output from the sheep enterprise of those farms falling within two standard deviations of the mean of Exeter University’s full sample. It takes into account valuation change, all sheep

subsidies, sales and wool, and quota leasing and Environmentally Sensitive Area payments.

(2) *Variable costs*

Variable costs represent all the additional costs which would be incurred as a direct result of an improvement being made. The University calculates ‘variable costs per adjusted forage hectare’. These include concentrates, veterinary and medicines, other livestock costs, hay/straw, keep, casual labour, fertilisers and sprays in full, for the sheep enterprise and part of those costs which do not increase in the same proportion per unit change in output i.e. contract charges, machinery repairs, fuel and other miscellaneous costs.

(3) *Existing use potential*

Existing use potential has to be subtracted from the net margin so as not to compensate for that profit which is already being made from the land. Taking advice from the Hill Farming Research Organisation and others it was discovered that by improving an area of moorland the potential for farming was increased seven-fold. This being the case one-seventh of the net margin per adjusted forage hectare is deducted.

(4) *Reclamation costs*

(a) *Cost of improvement*

To assess the reclamation costs of ploughing or otherwise improving a unit area of land it has been agreed that the cost of reclamation should be an average, and spread over the period of the agreement. The net reclamation cost is therefore amortised over ten years at 10% to reach the “annual equivalent” figure for reclamation. This is the figure used as the fixed five-yearly cost for the purposes of the standard offer.

(b) *Fencing*

A deduction has also been made for the fencing that would be necessary as a result of the carrying out of the improvement. A similar form of assessment is used to that in (a) above.

(5) *Tenant's capital*

It is necessary to make a suitable allowance for interest on the additional tenant's capital employed in the expanded enterprise. This is calculated from Exeter University's sample in three parts annually:

(a) Breeding livestock

It was agreed to value the Tenant's Capital involved in sheep from the average results of the Exmoor sample of opening and closing sheep stock valuation divided by the number of allocated sheep hectares.

(b) Working capital

The working capital is calculated as 50% of the current "variable costs".

(c) Sheep housing

The net cost of sheep housing erected by the sample farms divided by the sheep hectares.

(6) Capitalising lump sums for twenty year restriction

It was agreed that from 1995 the simple average of the part three year multiplied by a factor of 7.69 years would give a more realistic lump sum compensation (based on the present value of future annual cash flows).



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