SHAREFARMING IN ENGLAND AND NEW ZEALAND: converging paths and new perspectives

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The idea for this session came from a visit to New Zealand following the publication of our book on sharefarming in England.[1] I had cited sharemilking in New Zealand as the best example of the practice providing rural workers with the opportunity to build up capital and a pathway to farm ownership. Far from the notorious reputation of sharecropping in the USA and *metayage* in France, sharemilking in New Zealand enhanced rural communities and underpinned a successful dairy industry that exists without farm subsidies. I was aware that with the rising value of farm land, it was taking longer for sharemilkers to buy a farm, but nothing prepared me for the situation I found on the ground. Where I was staying in the Waikato, New Zealand's prime dairy area, there was not a sharemilker in sight.

Slides 2 & 3 of Waikato farm

As I arrived at the farm where I had been a sharemilker in the mid 1970s, I saw the once brand new milking parlour abandoned and the owner's neat farmhouse neglected and forlorn. The farm itself had been transformed with large newly divided pastures and a huge rotary cowshed. It was now part of a much bigger enterprise with vast herds milked by managers and contractors; 'labour was a real problem' was the complaint I heard on many lips. Heaps of palm kernels for feeding to cows and tankers delivering regular supplies of nitrogen provided further clues to a revolution in dairy farming. This did not look like the land of opportunity for landless English labourers. So what had happened in the intervening years?

When I returned home, farming contacts in England confirmed that New Zealand style sharefarming agreements, introduced in the 1980s, had changed radically over the last few years. Arrangements which had allowed the sharefarmer 50% of the profits, could no longer be sustained. The emphasis is now on collaboration, partnerships and syndicates. Clearly, there is a need for an update and reassessment of the role of sharefarming in rural economies.

For joining me in this enterprise, I would like to thank Annie Antoine, Rui Santos, Beneita Camara and Jennnifer Holt: you note, I am now not the only person talking about sharefarming in England. [2]

Slide 4. My plan for this paper is to compare the experience of sharefarming in New Zealand and England. The former is renowned for the practice, while it is only recently that its existence in England has been acknowledged. So they are seemingly at opposite ends of the sharefarming spectrum. However, what is evident is that their paths have started to converge as agrarian contracts in both countries become more flexible and diverse. The aim is to discuss how and why

[1] E. Griffiths & M. Overton, *Farming to Halves: The Hidden History of Sharefarming in England from Medieval to Modern Times* (2009)

[2] A. Antoine, 'La legend noire due metayage dans l'ouest de la France (XVIII-XIX siècle)' , *Bibliotheque d'Histoire Rurale*, 7, (2003) 457-70; B. Camara, 'The Portuguese Civil Code and the colonia tenancy contract in Madeira (1867-1967), *Continuity and Change,* 21, (2006) 213-33; R. Santos, 'Risk-sharing and Social Differentiation of Demand in Land Tenancy Markets in South Portugal, Seventeenth-Nineteenth Centuries, *Continuity and Change*, 21, (2006) 287-312.

this has happened and how far it relates to the wider debate. A particular concern remains the value of sharefarming to rural society. Does sharefarming promote or hinder progressive and sustainable agriculture; is it a force for good as the revisionists have argued or a menace to the environment as Tom Brooking in his work on Pastoralism in NZ maintains? [3]

The paper will focus primarily on New Zealand and the period from the early 1970s when Britain joined the European Common Market and New Zealand faced the loss of its traditional markets; this was followed by a collapse in commodity prices and the removal of farm subsidies between 1984 and 1996. Since then, contrary to expectations, the dairy industry has flourished. Its progress has been the subject of debate and academic research, and meticulously recorded by government statistics. This is well documented story, but little known outside New Zealand.

The evidence from England is much more elusive. Yet, it provides the context for the adoption of sharefarming by British settlers in New Zealand at the end of the 19th century. There is a direct link between the literature of land reform and emigration to the colonies. As early as the 1840s John Stuart Mill, despairing of English attitudes, advocated emigration as the only way forward for those wanting to farm their own land. [4] The key difference is that New Zealanders, free from historic constraints, were able to implement new ideas, while in England meaningful land reform was resisted by a parliament dominated by landowners. But beneath this power structure, generations of British and New Zealand farmers shared not only a common heritage, but similar beliefs and aspirations. This is our starting point: the divergence was not as deep as it appears.

The paper is divided into 3 parts. The first part briefly sets out the evidence of sharefarming in England and explains its disappearance in the early 18th century in favour of a system of fixed rent tenancies. The landlord tenant system, widely acclaimed by the political economists, became a symbol of English success in agriculture. By the end of the 18th century, the idea of sharefarming was so remote, as Adam Smith pointed out, that the English had no name for it. However, he noted that 'steelbow tenure' had survived in Scotland, which is a significant point given the high proportion of Scottish settlers in New Zealand. [5] In our research, we also found farmers in the Welsh borders farming ewes to halves in the early 20th century, indicating that an indigenous form of sharefarming had also survived in England and Wales.

The second part outlines early developments in New Zealand. With the prosperity of New Zealand farmers today, it is salutary to remind ourselves of the difficulties they encountered at the outset. The severity of the problem explains why sharefarming was supported by the government and became firmly established in New Zealand farming culture and traditions.

The third part concentrates on the period from 1972. Tables, using the Review of Sharemilking and the Dairy Statistics, chart its progress and indicate recent trends, allowing us to draw conclusions and make comparisions with the English experience.

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[3] T. Brooking, 'Pasture, Present and Future – a brief history of pastoralism in New Zealand', *RMupdate* (2006) www.maf.govt.nz; *Environmental Histories of New Zealand* (2002).
[4] J. S. Mill, *Principles of Political Economy* (1848)
[5] T. Brooking, *The Heather and the Fern: Scottish Migration and New Zealand Settlement* (2003)

Part 1: Sharefarming in England

The idea of sharefarming in England is now familiar, so I will confine myself to a few points. Contrary to popular belief, forms of sharefarming had always existed in England; the difficulty was identifying them in the documents and recognising them for what they were. Unlike mainland Europe, these practices had remained informal and largely hidden from view. But for an ex-sharemilker, familiar with these types of agreement, the evidence was everywhere. They key word was 'to halves' and sharing the output and profits in some way, rather than the payment of a fixed money rent; it clearly existed behind more formal arrangements and only occasionally came to the surface. Eventually, we were able to construct a taxonomy outlining the different types. **Slide 5**

Although the evidence was elusive, a pattern gradually emerged which draws England much closer to the experience elsewhere. As in Europe, sharefarming in England existed at two levels, vertically, between landlords and tenants, and horizontally amongst peasants. In the former, it was invariably used as a last resort, when tenants were hard to find; this explains why it sometimes appears in the documents. Amongst peasants, the practice was habitual, providing credit and flexible arrangements for farming the land, but left no trace. It came to the fore in the 17th century at every level of society and in every part of the country.

Our research centred mainly on East Anglia and the Welsh Borders, but the pattern remained the same. In the first half of the century, when prices were buoyant, farming to halves was used to facilitate improvement, such as on newly drained marshes in Norfolk and the hill farms of the Welsh Borders; it helped tenants to build capital and shared the risks of farming in difficult areas. In the second half of the century, as prices fell, it was sometimes used by landowners unable to find a tenant, and more creatively to restock flocks, set up dairies and improve the brecklands on the great Norfolk estates at Raynham, Houghton and Felbrigg. At Raynham we found large tenants paying fixed rents to the Townshends and leasing dairies or farming to halves with sub-tenants.

This pattern closely resembled the system Santos found on large estates in southern Portugal, where large tenants paid fixed rents to the landlord and then sublet portions to sharecroppers.[6] In this way, fixed rents and sharefarming existed side by side and were often payable at different levels on the same land; in fact they complemented each other, meeting the needs of landowners, tenants and labourers. Risk sharing, as he argued, was a constant variable at the heart of all agrarian contracts; it was not confined to sharefarming and absent from fixed rent tenancies as the 18th century political economists led us to believe. How these relationships were organised and evolved depended on the risk environment, the political framework in which landowners and tenants operated, and the economic and social needs of individual farming communities.

In England, as we know, the risk environment changed dramatically at the end of the 17th century. The overthrow of the Stuart monarchy in 1688 brought about a fundamental realignment of political power in favour of the landed elite; this enabled them to shape institutions and control legislation in their own interests. At a stroke, land became a secure, desirable and lucrative investment, and for

[6] Santos, *Continuity and Change*, (2006)

the politically ambitious, a necessary purchase. As Avner Offer explained, land acquired a social premium with a value far in excess of the returns from agriculture. [7] In this context, they could afford to modify their rents to attract well capitalized tenants willing to accept a lease and pay fixed rents for a term of years. But it is misleading to assume that the English landowners did not share the risks of farming. In fact, we concluded, the English landlord tenant system was the most generous form of risk sharing in existence: tenants benefitted from the entire crop when times were good and from capital investment and abatements when times were bad. In these optimal conditions there was simply no need to bother with sharefarming. In this way Britain's path diverged from its European counterparts.

Effectively, English landowners underwrote and controlled English agriculture for 200 years. It was only when their position was challenged in the early 20th century, with punitive taxation and loss of political power, that this edifice started to crumble and new farming relationships started to emerge.

Slide 6: the decline in tenanted land & growth of owner occupation in the 20th century UK

It was in this context we found the reappearance of farming to halves in the Welsh borders. Rare entries in farm diaries before World War 1 became a flood between the wars as farmers advertised their 'ewes at halves'. These farmers had typically purchased their farms at inflated prices in the boom years of 1918-21. Without the cushion of capital provided by landowners, they had to find other ways of doing business which included a form of sharefarming. The newspaper adverts, promising confidentiality and alluding to the stigma attached to such arrangements, explain why it continued to be a covert practice in 20th century England.

From the 1940s, the need for such schemes was removed as farmers received support from the government. The situation changed in 1976, when the Labour Government passed legislation guaranteeing tenants security of tenure for 3 generations, effectively depriving landowners control of their farms. To get round this problem, the Country Landowners Association recommended sharefarming, as it avoided the creation of a tenancy and allowed landowners to be classified as farmers for tax purposes. [8] There was significant albeit limited interest in the scheme, until the Conservative government introduced the Farm Business Tenancy which met their main concerns. Nevertheless, the idea alerted farming communities to alternative strategies and the benefits of collaboration.

As traditional fixed rent tenancies become increasingly rare, and farm subsidies are curtailed or re-directed to environmental concerns, the English have returned to methods more akin to their European counterparts, farming under the same constraints and in a similar cultural environment. From a 21st century perspective, the period dominated by the English landlord tenant system can be seen as an unsustainable interlude and latterly, as a block to land reform.

Part 2: Early developments in New Zealand.

In New Zealand land reform was a burning issue for settlers. Early attempts to introduce a landlord system were not successful. [9] British settlers had not travelled across the world to be waged

[7] A. Offer, 'Farm Tenure and Land Values in England, c. 1750-1950, *EcHR*, 2nd series, 44, 1-20.
[8] R. Stratton, *Sharefarming,* (1983)
[9] K. Sinclair, *A History of New Zealand*, (2003)

labourers: they wanted land and preferred to take their chance with small scale family enterprises, such as dairying. In the 1880s, refrigeration transformed their prospects, creating new overseas markets for butter, cheese and meat. With these new opportunities, rising migration and universal suffrage, political power swiftly shifted to the common man. In 1892, the first Liberal Government promptly introduced a Land Tax and subsidies for the division and redistribution of the large estates. The expansion of the dairy industry, and its importance to the New Zealand economy, gave the family farmer real political muscle which it has used ever since to secure a favourable tax regime, financial support and the protection of property rights.

S**lide 7: Importance of New Zealand dairy sector**

Despite generous levels of support, establishing the dairy industry in New Zealand was not easy; it took decades to carve out family farms, build up capital and create the infrastructure. In this difficult environment we find the beginnings of share milking, with the government offering cheap loans and the new co-operative dairy companies supervising the agreements. A formal structure soon developed with the lower order sharemilker receiving 29% or 39% of the milk cheque, depending on his contribution in labour and equipment, rising to 50% when he provided a herd of milking cows. The goal was to save a deposit and take out a cheap loan from the rural bank to buy the herd. Once established, the sharemilker could move on to bigger herds and eventually sell half his herd for a deposit on a small farm. And so the cycle continued: for the industrious more farms with more herds operated by sharemilkers ended with enviable security in old age. In this way, governments effectively capitalized rural society.

But it was not all plain sailing. It is significant that at every stage in this cycle, sharemilkers and indeed sheep farmers were encouraged to maximize production. This soon put pressure on natural resources and the maintenance of soil fertility.[10] The problem was solved, at least in the short term, by a cheap supply of superphosphate from the pacific island of Nauru in the 1920s. But farmers still struggled. As in England, returning servicemen bought farms at inflated land values after the Great War and suffered when commodity prices collapsed in 1920s and 30s. After World War 2, the Labour Government determined not to repeat the experience and increased their support of agriculture; amongst other things they subsidized aerial topdressing which underpinned, as Tom Brooking has described, the golden age of pastoral farming. This lasted until the 1960s, when Britain started to negotiate entry into the European common market.

The removal of preferential access to the UK market forced New Zealand to review its policies; it could not support the production of unwanted dairy produce indefinitely. In the early 1980s the Labour government took the dramatic decision to phase out farm subsidies. Subsidies which had amounted to 1/3 of farm income were reduced to 2% by 1996. The idea was that New Zealand should become less dependent on agriculture.

However, as we have seen, New Zealand dairy farming not only survived, it flourished. How did this happen? By the 1980s and 1990s the dairy community was sufficiently well organised and capitalized to weather the storm. New markets were found, further consolidation took place of farms and dairy companies, farming practices were intensified and new technologies developed. In the deregulated environment, farmland continued to be a popular investment, not only with

[10] Brooking, *RMupdate,* (2006)

farmers, but with banks, corporate bodies and professionals eager to participate in the farming sector. Foreign investors also became a feature in the land market. A crucial factor remains the tax regime. New Zealanders pay no inheritance or capital gains tax, so farms are bought and sold with impunity, and passed on to the next generation with no penalty. When commodity prices recovered in the mid 1990s, land values climbed remorselessly leaving sharemilkers further and further behind in the race to acquire a farm; this growing problem prompted the Review of Sharemilking in 1996. The following tables show these trends from 1972 to the present day and how they have affected the role of the sharemilker.

Part 3: New Zealand on its own, 1972 to the present day

Table 1. The first slide presents the issue in a nutshell. Since the mid 1970s the number of cows has more than doubled; milk production tripled, but the number of herds, and potentially jobs for sharemilkers, has dropped by 40%. Bigger more efficient units have increased production to the point that dairy products account for nearly 25%of total exports. This is an extremely powerful industry now administered by a single dairy company, Fonterra.

Table 2 shows the changes in the operating structure. Since 1972 the number of dairy farms has declined by 40%; of these 2/3 are operated by owner occupiers using family labour or contract milkers, while a 1/3 are operated by sharemilkers, working their way up the farming ladder. These proportions have remained more or less constant, although the % of 50/50 sharemilkers has declined as herds become larger and more difficult to finance. The increase in sharemilkers is now at the lower end of the scale amongst those receiving 20-29% of the output, reflecting their lower input. The size of the average dairy farm has almost doubled, while herd size has more than trebled. This points not only to consolidation, but intensification of farming practices.

Table 3 on buying trends highlights the growing dominance of established farmers and business in the land market by 1995. The number of sharemilkers buying a farm was down to 10%, and the age at which they buy had increased to 40 – meaning a further 10 years sharemilking to put together the necessary capital. The problem is the growing gap between the value of cows, which sharemilkers use as equity to buy a farm, and the value of land.

Not surprisingly, the number of those aspiring to buy a dairy farm has declined sharply. A marked difference between the North and South Island was becoming evident by the mid 1990s.

Map. The Review compared the traditional dairy farming area of the Waikato with more recently developed dairy farms in the Canterbury region of the South Island. The farms in Canterbury have been created from old sheep and beef country; they are less fertile than in the Waikato, but as in the brecklands of Norfolk in the 18th century they offer much scope for improvement.

Picture Sustained by irrigation in the summer, off farm grazing in the winter and massive inputs of supplementary feed and fertilizer, they are a classic example of intensification on cheaper land effected by huge capital investment.

Table 4 shows the higher production per cow and per hectare achieved in Canterbury by 1996. In theory, these large herds offer more opportunities to sharemilkers to build equity to buy a farm; but in practice the scale of the enterprise and the capital required for irrigation puts these farms out of the reach of most 50/50 sharemilkers.

Table 5 shows how sharemilkers have revised their ambitions, investing their savings in larger herds, businesses and property. However, sharemilking as a rural occupation remains popular. Working with corporate bodies who often own these farms, sharemilkers secure a good return on their herds. They are also attracted to the educational support and career development offered by these bodies.

Table 6 shows that high production levels are closely associated with larger herds - the highest average being with herds between 650 – 700 and 850-900. Significantly the average declines quite sharply after the herd size exceeds 950, indicating the limits of capital investment and economies of scale in this environment.

Table 7 Compares the performance between the N. Island and the S. Island. Once again there were slight falls in productivity recorded in the S. Island since 2008, and slight increases recorded in the N. Island. The highest averages were recorded in North and South Canterbury; it is these farms that are causing the most concern to the environmentalists.

Table 8 breaks down the operating structure by region. It shows that the rising number of lower level sharemilkers is concentrated in the S. Island, and the more traditional structures are proving more resilient in the N. Island where herds remain smaller and farming is less capital intensive.

Conclusions

What can we conclude from these trends in New Zealand? What is the evidence of convergence? Certainly, prices for land and stock have than caught up with land and stock values in England – in the Waikato land is twice as expensive. The number of sharemilkers has declined, but they have not disappeared, in fact the proportion has slightly increased since 1972. The lack of them in my immediate vicinity was the result of particular circumstances. When I left New Zealand, the father of the family I was staying with was training his two sons to take over the family farm; in the early 1980s they became his sharemilkers. Gradually, they bought out their neighbours before prices 'went mad' in the 2000s, and consolidated their holdings into two good sized farms. Now they milk two large herds in two rotary cowsheds with contract milkers. Their experience shows how established farmers benefitted in the 1980s and 1990s. The eldest son is now thinking of retiring. If he had sons he would probably repeat the cycle and set them up as sharemilkers. It would not matter that he received a modest return on his capital, as it was a way of handing down the family farm and securing his old age. The alternative is to sell interests in his herds to the managers and build them up as lower order sharemilkers. However, two of the contract milkers are returning to England as the prospects are so poor. Clearly, there is a blockage in the system, which is denying sharemilkers, outside these established family networks, the opportunity to buy a herd, let alone a dairy farm.

Yet, as we have seen, sharemilking remains a popular option, providing an opportunity to work in the rural sector and make a good living. For farm owners, who no longer want to milk the cows or supervise labour, it remains an ideal solution allowing them to realize some capital and providing a secure income for their old age. But the nature and role of sharemilking in the rural economy has changed; it no longer offers the same level of incentives or a guaranteed path to farm ownership.

This reminds us of the situation in England in the 18th century, when large tenants were happy to forego farm ownership in favour of higher profits on their working capital, and owners were

prepared to make concessions in return for a secure income. Large farmers and corporate bodies in New Zealand have also replaced the state as reservoirs of capital, performing a role not dissimilar to English landowners. So there is a sense in which farming relationships have started to converge. Today, both countries are flexible in their approach and continue to adapt to changing needs and market forces.

But significant differences remain. The most worrying aspect relates to the character of landownership in the two countries. In England a notable feature of 18th century improvement was the written lease drawn up by landowners to protect their farms and fixed capital for the long term and from over exploitation by greedy tenants. Today, these sentiments are reflected by in the European Union farm payments system which rewards environmental initiatives. New Zealand farmers, used to moving their herds and upgrading their farms, rarely develop a long term attachment to a particular place; climbing the farming ladder required mobility and a certain ruthlessness. The fear is that every group involved in the industry, from the sharemilkers to the corporate bodies and large family trusts, is similarly motivated by short term profits; there is no restraining hand. The danger for New Zealand is not so much sharemilking, which encourages sharemilkers to maximize production, as the context in which it exists, namely a weakly regulated dairy industry and an apparent lack of concern over the development of land for dairy farming. This, of course, reflects New Zealand's dependence on dairy exports and the monopoly power of the single remaining dairy company, but New Zealanders need to be vigilant. As Annie and others have argued in their reassessment of *metayage* in 18th century France, it was not the system, but the high levels of taxation imposed on the *metayers* that crippled French agriculture. We must hope that low levels of taxation, lack of controls and unregulated markets do not have the same effect in New Zealand. Perhaps Arthur Young had a point: the landlord tenant system was not so bad after all.