Snapshot by:

The cost of doing business:

Foundational Sector Snapshot

Agri Food

Key messages

- Agricultural GVA reached **£17.5bn in 2025**, while the sector continues to underpin a wider agri-food economy worth £153.2bn[1].
- Farm businesses are facing rising labour, energy, fertiliser and borrowing costs, with **electricity costs increasing by 55%** and **heating fuel costs increasing by 57%**, since 2019 - 2024[2]. Labour costs have risen by **more than 40% since 2019**[3].
- **Government can strengthen food security, productivity and resilience** by supporting investment, improving labour availability, reducing regulatory duplication and ensuring domestic agricultural policy is aligned with trade policy. **Food production should be given equal legislative weight to the UK's climate and environmental targets**.

Table 1: Key business tax contribution figures for the agrifood industry[4]

	2024/25	2025/26	Difference
Business tax contribution	£2.35bn	£2.59bn	+10.2%
Tax contribution as a share of GVA	13.9%	15.1%	+1.2 ppt
Employers' NICs	£0.43bn	£0.54bn	+24.7%

Strategic importance

Agriculture is the foundation of the UK's food system, providing the primary inputs for food manufacturing, wholesaling, retail, catering and export activity. The sector sits at the heart of a wider agri-food economy worth more than £153bn, underpinning food security, consumer affordability and economic resilience[5]. As the starting point of the food supply chain, the performance of the agricultural sector has a direct influence on processing capacity, food availability, supply chain stability and the competitiveness of downstream industries across the UK.

The sector also supports a broad network of upstream industries. Agricultural businesses purchase around £20.9bn of intermediate inputs each year, including feed, energy, fertilisers, chemicals, logistics and professional services[6]. Animal feed alone accounts for £7.1bn of expenditure, demonstrating the close interdependence between farming, manufacturing and wider supply chains[7].

Beyond food production, agriculture plays an important role in sustaining rural communities, managing landscapes, environmental management and land stewardship. As businesses increasingly diversify into renewable energy, environmental delivery and other land-based activities, the sector needs to continue playing a central role in supporting rural economic activity, domestic food production and national resilience.

Growing cost pressures

Agricultural businesses are facing rising labour, energy, fertiliser and financing costs at a time when farm confidence remains close to record lows. Labour costs have increased by more than 40% since 2019, driven primarily by successive increases in the National Living Wage and National Minimum Wage[8]. These increases have had a disproportionate impact on labour-intensive sectors such as horticulture and livestock production, where businesses have limited ability to pass higher costs through supply chains.

Energy costs have also increased sharply. Between 2019 and 2025, electricity costs increased by 55.4% and heating fuel costs by 56.8%, increasing the cost of refrigeration, irrigation, ventilation, processing and on-farm operations[9]. Fertiliser costs have been particularly exposed to energy markets, with the UK now fully reliant on imported ammonia for nitrogen fertiliser production following the closure of domestic ammonia production. This has increased exposure to global gas prices, shipping costs and supply chain disruption.

Access to finance remains a challenge for many businesses. The NFU's latest confidence survey found that 55% of farmers identified borrowing costs and interest rates as a negative factor when seeking finance[10]. Weak profitability and existing debt burdens continue to constrain investment across the sector.

Improving the operating environment

As the foundation of the UK's food system, agriculture requires a stable operating environment that supports investment, productivity and long-term resilience. However, the sector faces several structural challenges that are increasing costs and limiting growth.

1. Trade policy and international competitiveness

Agriculture is increasingly exposed to the cumulative impact of trade liberalisation and growing competition from major agricultural exporters. While access to international markets is important for UK farmers and growers, there are concerns that successive unbalanced Free Trade Agreements (FTAs) could gradually erode the competitiveness of domestic production if the sensitivities of UK agriculture are not adequately reflected in negotiations. This is particularly relevant as the UK considers future trade agreements with markets such as the United States, Mercosur, Thailand, Canada and Mexico, all of which have large and highly competitive agricultural sectors seeking greater access to the UK market.

At the same time, the European Union remains the UK's most important agri-food trading partner, accounting for 68% of UK agri-food exports and 68% of imports, making the smooth functioning of UK-EU trade critical to the sector[11]. The NFU has welcomed efforts to pursue a UK-EU Sanitary and Phytosanitary (SPS) Agreement to reduce trade frictions, while emphasising the importance of securing appropriate exemptions and transitional arrangements in areas such as precision breeding, plant protection products and animal health. Following the signing of the SPS agreement, government support will be needed to support UK exporters to rebuild trade with the continent that has been lost since Brexit. This should include ensuring the UK's agri-food and drink attachés within Europe are fully equipped with the support, tools, and funding they need to successfully promote and champion British agri-food products within the EU market. This will be essential to ensure that British agriculture can benefit fully from the agreement.

Many overseas markets also remain difficult to access for UK producers, particularly SMEs facing complex export requirements, administrative costs and established international competitors. The NFU argues that future trade policy should support commercially meaningful export opportunities while ensuring domestic producers are not disadvantaged by cumulative market access concessions. Strengthening domestic food production, improving export capability and placing agriculture at the heart of the UK's wider trade strategy will be critical to supporting food security, rural economic resilience and long-term sector competitiveness.

2. Tax incentives and administrative burden

The current tax framework is not always aligned with the investment profile of modern agricultural businesses. Capital allowances for buildings and fixed structures are delivered over 33 years, which in some cases exceeds the economic lifespan of the asset itself. This can weaken the business case for investment in production buildings, infrastructure and decarbonisation projects. Tax incentives could help to unlock additional investment by farm businesses and the NFU feels there should be an increase to the Annual Investment Allowance to include assets qualifying for structures and building allowance to support investments in efficiency and productivity improvements, including with regards to energy and water usage.

At the same time, the introduction of Making Tax Digital for Income Tax is expected to increase reporting requirements and administrative costs for many farm businesses, unless they can qualify for the digitally excluded exemption. For diversified farming enterprises, the requirement to submit multiple quarterly updates could create significant additional complexity despite most businesses already maintaining digital records through Making Tax Digital for VAT. Given the seasonal nature of agricultural income and the uneven accrual of profits throughout the year, there are concerns that the new requirements will increase compliance costs without delivering clear benefits for either businesses or HMRC.

3. Diversification, planning and rural growth

Under the current planning system, key agricultural sectors such as horticulture and poultry face significant barriers to development, making it difficult for farmers to modernise infrastructure and invest in innovation. While the proposed changes to the National Planning Policy Framework (NPPF) are broadly welcome, particularly the stronger support for agriculture, rural businesses and food production, greater clarity is needed to ensure consistent implementation, including better alignment between planning and environmental regulation and an updated definition of agriculture that reflects modern farming practices.

Agricultural developments also experience inconsistent decision-making caused by limited agricultural expertise within local planning authorities, delays within the Planning Inspectorate, and growing use of mass objections and lengthy judicial reviews. Increased investment in planning resources and skills is therefore essential. In addition, the NFU believes Best and Most Versatile (BMV) agricultural land should be protected from housing and major infrastructure development to safeguard long-term food security. Reforms to environmental requirements would also benefit agricultural development, including reduced Biodiversity Net Gain obligations and nutrient neutrality reforms for agriculture, alongside a stronger advisory role for DEFRA to improve planning decisions through specialist guidance, training and more efficient engagement from statutory consultees.

As traditional farm incomes come under increasing pressure, many agricultural businesses are seeking to diversify through renewable energy generation, environmental markets and other non-agricultural activities such as tourism. Diversification is becoming an increasingly important source of resilience for farm businesses, with non-farming activities accounting for a growing share of income across the sector. 72% of farm businesses in England had some diversified activity in 2024/25[12]. However, opportunities to diversify remain uneven and are often constrained by planning requirements, grid connection delays and the significant capital investment needed to develop new projects. These barriers can limit the ability of farm businesses to generate alternative income streams, invest in productivity improvements and adapt to changing market and policy conditions. Ensuring businesses can access opportunities for diversification will be critical to supporting rural economic growth, strengthening farm resilience and maintaining the long-term viability of domestic food production.

Tackling the regulatory burden

Farmers interact with a wide range of regulators, inspectors and government bodies covering environmental protection, animal health and welfare, planning, food production, water management and land use. They report that the burden is often driven by overlapping responsibilities, duplicated inspections and the difficulty of navigating multiple regulatory systems rather than any single regulation in isolation.

The NFU highlights that a number of DEFRA's Arm's Length Bodies (ALBs) undertake similar functions relating to environmental regulation, monitoring, evidence gathering and technical support. This can create confusion for farms, increase the time spent engaging with regulators and result in inconsistent advice or requirements. At the same time, inspection regimes are often delivered through multiple organisations, with information spread across numerous websites, guidance documents and reporting systems, making compliance unnecessarily complex and resource intensive.

These challenges are particularly acute where similar standards are assessed by both regulators and farm assurance schemes, resulting in duplicate inspections and reporting requirements. For many businesses, the cumulative burden of inspections, paperwork and compliance activity can reduce the time available for core farming operations, investment and business development.

In 2025 DEFRA published the Corry report which looked at DEFRA's regulatory landscape. The report highlighted a complex and burdensome system and that the system does not work for nature, the environment or growth. Against this backdrop, DEFRA's exploration of extending environmental permitting regulations to the beef and dairy sectors raises significant concerns. Additional permitting requirements could impose substantial costs on farm businesses and limit investment and growth. The NFU is therefore calling on Government to fulfil its commitment in the UK's Farming Roadmap to include an industry-led option in any future consultation on extending permitting to these sectors. Such an approach would enable beef and dairy farms to continue investing in and growing their businesses while demonstrating good environmental practice through industry-led solutions and collaboration with supply chain partners, avoiding unnecessary regulatory burdens while still delivering environmental outcomes.

Agricultural businesses engage with a wide range of regulations and enforcement bodies across government, below are some of the most significant regulations that affect agriculture (assuming England/UK government policy ownership):

Department for Environment, Food and Rural Affairs (DEFRA)	
Regulation	**Regulator**
Habitats regulation	Natural England / Competent Authority
Wildlife and Countryside Act 1981	Natural England
Environmental Impact Regulations - Forestry Agriculture)	Natural England / Forestry Commission
Official Controls (Plant Protection Products)	HSE Chemicals Regulation Division (CRD)
TSE (Transmissible Spongiform Encephalopathy) Legislation	Animal and Plant Health Agency (APHA)
Beef Labelling Requirements	Rural Payments Agency (approved meat establishments - abattoirs, cutting plants or catering butchers) / Local Authorities (retail)
Proposed Water and Air Quality Permitting for livestock and dairy	Environment Agency
Proposed Lamb Castration and Tail Docking	APHA / Local Authorities
Alternative Proteins (PAP/PIP)	APHA and FSA
Egg Marketing and Poultry Auditing Requirements	APHA
Environmental Permitting – Poultry	Environment Agency
EU Fruit and Vegetable Aid Scheme	Rural Payments Agency (RPA)
Animal Welfare Legislation Package	APHA / Local Authorities
Forestry Act 1967	Forestry Commission

Hedgerow Regulations 1997	Rural Payments Agency & Local Authority

Ministry of Housing, Communities and Local Government	
Regulation	**Regulator**
Planning Act – Horticultural Development	Local Planning Authorities
Planning Act – Water Storage	Local Planning Authorities

Department for Transport (DfT)	
Regulation	**Regulator**
Renewable Transport Fuel Obligation (RTFO)	DfT Low Carbon Fuels Delivery Unit / RTFO Administrator

Department for Energy Security and Net Zero (DESNZ)	
Regulation	**Regulator**
Energy Support Framework	DESNZ

Food Standards Agency (FSA)	
Regulation	**Regulator**
Official Controls (Abattoirs)	FSA

Within this wider regulatory landscape, the NFU has identified three areas where the burden is particularly acute for farmers.

1. Tax Incentives

Challenge: Agriculture is uniquely placed to help the United Kingdom become a clean energy superpower, to lead the way to net zero and build resilience to climate change. In many cases, tax incentives could help to unlock this additional investment.

NFU recommendation: Increase the Annual Investment Allowance up to £5m and extend it to include assts qualifying for Structures and Buildings Allowance. This would support SME investments in efficiency and productivity improvements, including with regards to energy and water usage.

Expected impact: An increase to the Annual Investment Allowance and the inclusion of assets qualifying only for SBAs at a rate of 3% per annum will encourage SME capital investment across a broad range of low-carbon assets. These assets are often longer-term investments with a more marginal return. With tax relief given over 33 years it often makes them a difficult investment choice to justify or even a more expensive one to maximise the environmental benefit. One example would be that changing the rate at which capital allowances are given would enable more rapid farm reservoir investment, which is being encouraged by DEFRA. By front loading tax relief, and reducing borrowing costs, increased investment would be stimulated.

2. Habitats regulation

Challenge: Habitats regulations, including the Countryside and Wildlife Act, ensure protection for habitats and species within European designated areas, even though climate change may be causing these areas to alter or for species to move.

Although the principles of cost, effectiveness and disproportionate costs are clear and well established, these principles do not appear to be considered by the Habitats Directive, unless there are Imperative Reasons of Overriding Public Interest (IROPI). This means that habitat protection almost always wins out against any business or economic consideration, and without sufficient regard of any wider environmental benefits this may bring. Projects submitted by farmers are unlikely to meet the IROPI criteria.

The costs of managing designated sites, and areas around them, fall on landowners and tenants, in most cases, farming businesses. There is no provision for compensation due to the limitations created by the legislation and agri-environment schemes do not address all costs involved in site management.

There is an excessive burden for additional paperwork when a farm business puts in a planning application in or around designated sites. This can be incredibly costly to pull together and increase the time involved. There are greater environmental protections where the site is designated under the Habitats regulations. This excessive burden can result in applications not being submitted, applications being unsuccessful and therefore limiting business growth.

If managing a designated site, consent will be required before management can be changed. The consents are given where they maintain or improve the site condition. The consenting regime can be a barrier to accessing agri-environmental schemes, or delay access to support. When accessing a scheme the consenting body will push for environmental improvement to secure favourable conservation status. This has no consideration of the socio-economic impacts.

NFU recommendation: There are a number of potential solutions:

- **Habitats regulations should have greater consideration for the socio-economic costs of implementation of the regulations requirements.** The current approach of doing something, without knowing whether that will have a positive impact is not an effective or proportionate approach, especially where there is a significant cost to other economic activities, such as farming in the area. The balance is weighted too much in favour of protection of habitats and species at the expense of other legitimate activities.

- **There should be clear guidance to local authorities and reservoir designers** to overcome environmental barriers due to design criteria that prevent Environmental Impact Assessments being triggered.

- **There should be a 'technical feasibility test' built into the legislation, rather than a 'protect at all costs' approach** to ensure that a proportional approach is taken. This is particularly important in the context of aquatic environments, where interaction with the Water Framework Directive can cause particular difficulties.

- **Habitats regulations (including the Countryside and Wildlife Act) should be amended to take greater recognition of climate change.** Sites and species will inevitably adapt to these changes, and the legislation needs to recognise this. Failing to recognise this in the regulations could have an adverse impact of biodiversity in the long-term, as habitats and species will have not been allowed to evolve to suit changing conditions. This will impact on planning decisions and management of the sites.

Expected impact: If the Habitats regulations were interpreted proportionally, it would allow farm businesses to grow and adapt while also still protecting the environment.

3. Town and Country Planning (General Permitted Development) (England) Order 2015

Challenge: Many agricultural operations benefit from permitted development rights, but larger reservoirs and more substantial water infrastructure often require a full planning application. Larger commercial glasshouse developments frequently exceed Permitted Development limits and require full planning permission.

Delays in securing approval for water storage infrastructure reduce resilience to drought and climate change, and uncertainty around regulatory requirements and timescales can deter business investment and expansion. Lengthy planning approval processes for glasshouses and protected-cropping developments can delay investment, slow the adoption of innovative technologies and restrict growth in the horticultural sector. This can reduce productivity, competitiveness, domestic food production and climate resilience, while discouraging investment in modern agricultural infrastructure.

NFU recommendation: Expand agricultural permitted development rights for reservoirs below defined size thresholds. Introduce a streamlined planning approval for farmers wanting to build reservoirs and water storage infrastructure. Increase size limits for agricultural infrastructure where environmental risks are low. Expand permitted development rights for horticultural buildings

Publish the updated National Planning Policy Framework (NPPF) 2026 which changes the Principle of Development so that local planning authorities are expected to apply a default "yes" to agricultural development in rural areas. Ensure there is a consistent application of the new Framework across England.

Expected impact: Allow farming and growing businesses to expand and grow their businesses and also adapt to a changing climate.

Endnotes

[1] Department for Environment, Food & Rural Affairs (DEFRA) (2025), *Total income from farming UK*, available at: Total income from farming in the UK - GOV.UK
[2] Department for Environment, Food & Rural Affairs (DEFRA) (2026), *Latest agricultural price indices,* available at: Latest agricultural price indices - GOV.UK and AHDB (2024), *Total farm support eroded by underspend and inflation*. Available from: Total farm support eroded by underspend and inflation | AHDB
[3] ONS (2026), *AWE: Agriculture, Forestry & Fishing Index: Non-Seasonally Adjusted Regular Pay Including Arrears*, available from: AWE: Agriculture, Forestry & Fishing Index: Non Seasonally Adjusted Regular Pay Including Arrears - Office for National Statistics
[4] The CBI used its business tax contribution analysis in which we break down taxes by industry on a 2-digit SIC level. For employers' NICS we used the latest ASHE and BRES datasets to distribute ER NICs by industry. To estimate the contribution as a share of GVA, we used the latest ONS GVA estimates by industry to estimate the sectoral business tax contribution. Where it was not possible to assign the sector firmly to one or multiple 2-digit SICs, we asked TAs to provide data which we used and scaled accordingly. It should be noted that for some sectors there is a larger margin of error in the contribution statistics given 2-digit SICs do not necessarily fully align with the specific activities progressed in certain sectors. For the agri-food sector, we used SIC 01.
[5] Department for Environment, Food & Rural Affairs (DEFRA) (2025), *Total income from farming UK*, available at: Total income from farming in the UK - GOV.UK
[6] Chapter 9: Intermediate consumption - GOV.UK
[7] Chapter 9: Intermediate consumption - GOV.UK
[8] ONS (2026), *AWE: Agriculture, Forestry & Fishing Index: Non-Seasonally Adjusted Regular Pay Including Arrears*, available from: AWE: Agriculture, Forestry & Fishing Index: Non Seasonally Adjusted Regular Pay Including Arrears - Office for National Statistics
[9] Department for Environment, Food & Rural Affairs (DEFRA) (2026), *Latest agricultural price indices,* available at: Latest agricultural price indices - GOV.UK
[10] NFU Confidence Survey
[11] Overseas trade data table
[12] Department for Environment, Food and Rural Affairs (2026), *Chapter 5: Diversification*, available from: Chapter 5: Diversification - GOV.UK

September 2026

cbi.org.uk