

# Funding the Future

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The argument about farmers having to pay inheritance tax at half the normal rate on transfers of their property that they might make on death exceeding £2 million or more in value at that time is one that Labour does, most definitely, have to win.

I do not make the arguments that follow because I do not understand farming or life in an agricultural area. For well over half my life, I have lived within a few hundred metres, at most, of a farm, and I am well aware of the importance of farming in rural communities.

That said, I am also well aware that farmers like to play on ideas about the benevolence of their trade that should long ago have been eliminated from children's books, many of which seem to exist to perpetuate them.

Farming might be important, but despite whatever the farmer might wish to claim, the ability to farm is not eugenically passed from generation to generation. It is a learned skill like any other, and a wise parent really should not demand that their children follow in their footsteps. That's simply not good parenting.

Nor, as is very apparent from the degradation and straightforward industrialisation of a great deal of our countryside over the last 50 years or more, is all farming necessarily beneficial. A great deal is very obviously not of that type.

It also needs to be said, even if I am aware that I will upset some people by saying so, that some farm products are themselves unnecessary. As a matter of fact, we do over-consume meat at cost to the natural environment, the broader biosphere and our climate, for example.

To pretend, having taken all this into account, that there is some structure to farming that must survive intact and that it is necessary for the existing knowledge of farming to be passed down the family line for it to do so is quite absurd. If ever there was an industry that needs to be shaken up to ensure that it was transformed to meet the real needs of modern society, and the survival of humanity, then farming would come high on the list.

If any farmer reading this does not like that claim, they are welcome to provide a reasoned response that justifies a contrary view, but unless their argument embraces sustainability, economic logic, and an absence of eugenic claim, I suggest they do not waste their time.

With all this being noted, let me address some of the economic claims that are being made. The first is that if an inheritance tax charge is imposed on a farm once every generation, with the likely charge amounting to relatively few thousands of pounds a year when spread over that period in the case of most family farms in the UK, then those farms will cease to be viable. This is utterly absurd.

I know this as a matter of fact because large numbers of farms in the UK are managed by tenant farmers who lease their land. Despite that fact, they must make a profit because they continue to operate. In other words, it is actually the case that the separation of the ownership of land from the undertaking of farming activities is possible, and therefore, there is no economic good reason why the passing on of the value of the land used in farming tax-free is necessary. To claim otherwise is contradicted by straightforward economic fact.

If any farmer claims to the contrary i.e. that their farm could not survive if the land used in the production process was not provided rent-free, then the reality is that the problem is not with the inheritance tax charge but must be found elsewhere. So, secondly, that problem is either in the power that a very few large, multinationally owned food production companies have over the prices paid to farmers or in the price that retailers are willing to charge for food-based products in supermarkets, both of which price pressures are passed back by them into lower prices paid to farmers. This price pressure has, as a result, at least in the minds of those farmers, been deemed to mean that they cannot continue to undertake their activities and simultaneously cover the cost of using the land engaged in that process and pay a return on its use.

At one very obvious level, this does, then, suggest that it is the duty of the government to break up the monopsonist power of those food manufacturers and retailers to ensure that farmers are not prejudiced by their actions, as are all the rest of us. By protesting, what farmers are quite absurdly doing is demanding that those food companies and retailers continue to get the effective subsidy via the inheritance tax system that they now enjoy, and that is most definitely not a solution to any problem in the food sector right now.

Alternatively, farmers are pointing out the glaringly obvious fact that the land that they are using in their farming process has no economic value because it earns no return. Their claim in that case should be that all the profits generated by their efforts are due to their own labour, and not to the value of the underlying assets used in the farming process, and therefore, those assets should have no value when it comes to inheritance tax purposes.

The problem with that claim is that, of course, the market price of that land does not bear this out. There is an active market in farmland, and so the question has to be asked as to why that is true if what farmers are suggesting that no profit can be earned from its use is true. There are two options here. One is that the claim farmers are making is not true. The other is that the price being paid for farmland is solely motivated by the existence of generous inheritance tax relief, which relief has massively inflated the price of farmland.

If this second option is true, then farmers should welcome the imposition of this tax charge because what it should do is significantly reduce the value of their land. This has two obvious advantages for them.

If, as they claim, they have no desire to give up farming and would rather pass on their farms to the next generation, even though doing so would appear to be not only irrational but also utterly unfair because it would then require that next generation to work for little or no reward as they claim that they have done, then this collapse in the land price would make this entirely possible, and so they should be happy about that fact. Farmers should be grateful to Labour for creating this tax charge in that case. In fact, they should be asking for the tax rate to be increased because the higher it rises, the easier it will be for them to pass on their farm from one generation to the next without ever having to sell their land, which is what they claim they do not wish to do.

The other obvious advantage of this collapse in land prices is that if the price of farmland was forced down in this way, then it is highly likely that there would be more people who would actually wish to partake in farming because that is the way in which they wish to earn their living, which they are prevented from doing at present because the price of land is so high. This would then diversify and strengthen the farming community in ways that current land prices prevent. Again, farmers should welcome this with open arms.

Finally, if farmers can find no sense in any of these arguments, they have to ask themselves one quite straightforward question, which is why are they farming in that case? If they are using assets worth many millions of pounds to make no return, are they actually undertaking useful economic activity? I know that they think they do because they believe that they are producing food. I do not dispute this. What I am saying, however, is that if they believe that statement to be true but that it is not possible to make money as a result, then they should not be blaming the government for imposing a tax charge on the value of land, but should instead be asking the question as to who does make that return when it is obvious that there is a vast market for food in the UK, which must be exploiting them if they are not making money. Shouldn't they, in fact, be going to the government and saying. "Please help us make money?" rather than "Please stop taxing?" Aren't the farmers protesting, in other words, about exactly the wrong thing?

What they are asking for is the perpetuation of their exploitation when what they

should be demanding is that the exploitation in question be ended and that they be provided with an opportunity to make a proper return on their efforts and on the assets that they employ, and yet that question has never seemed to be under discussion when this issue is mentioned, and that has to be wrong.

I repeat what I said: farming and all that goes with it has been a background to much of my life. My concern with food, a sound economy, national security, fair taxation, and the creation of an economy that does not exploit those who participate in it all suggest that there are serious problems in farming. But, all the evidence suggests that a great many of those problems arise because of the non-taxation of the value agricultural land, and the resulting exploitation that this has given rise to of the farming community, and the fact that same community is then being exploited as a result by the food industry to which they are suppliers.

It would really help if farmers would protest about the right things in that case and not about wanting to continue the very subsidies that have given rise to their exploitation and are not, in reality, enjoyed by the farmers themselves.

In summary, the farm community team needs to up its economic game because, at present, and using the arguments that they do, they have no chance of improving their lot, and I am very keen on them doing so. They're being exploited, as are the rest of us, and I want that to end.