

been shifted on labour and its fruits. The process is written chapter by chapter in the series of Agricultural Rates Acts culminating in the Derating Act of 1929—Mr. Churchill's vile gift to the people—and now all agricultural land is completely free of local taxation however valuable it may be. The inevitable economic effect has been to entrench the land monopoly in greater power and make habitation and work on the land the continuing victim of its claims to tribute. The relevance of those circumstances to the welfare of agriculture and the far wider "condition of the people" question cannot be ignored, and only right action taken with regard to them can hope to save the situation.

Free Trade and the Taxation of Land Values, are they not clearly indicated as the policies that must be adopted in the interests of agriculture as of all industry, and the

general welfare? Irrespective of the fiscal policy of any other country, let British ports be opened NOW to the trade of the whole world. Let every artificial barrier to the entry of raw materials and farm and other products be abolished. The essential accompaniment of that freedom, indeed it is precedent, is the freedom to produce which the Taxation of Land Values would attain, at the same time deriving the public revenue from that fund, the rent of land, which belongs rightfully to the people as a whole; and correspondingly, taxation bearing on labour and its products would be remitted. It is by these means and these means only that agriculture like all industries would achieve efficiency and progress—efficiency through competition on the free world market and progress by securing that encouragement is everywhere given to the wisest and best use of land.

Free Trade and Farming

By RICHARD LAMB, M.A.

Monopolies and price rings exploit British farmers who lose more than they gain under tariff protection. Here a farmer shows how subsidies could be abolished*

I HAVE often noticed that there is a widespread belief that farmers are in a specially favoured position with regard to income tax. This is not so. A false impression has been given because since the war so many successful business men have bought up farms. They run them more or less as hobbies to soak up some of their surtax.

It is quite true that a man in a high surtax bracket can provide himself with the amenities of a home farm, and put the whole cost against his taxed income. Some people like to own such things as Land Rovers, ponies and Jersey cows, and prefer to see them at the end of the year instead of a surtax receipt. But the ordinary commercial farmer is as hard-hit by the penal taxation of our times as any other one-man business which makes it almost impossible for him to accumulate reserves and to build up capital for his retirement.

Nowadays no farmer will retire if he can possibly avoid it. Nearly every farmer has a small hidden reserve in the undervaluation of his livestock but if he retires income tax and surtax will rob him in his last trading year of this asset, built up perhaps over the whole of his working life. When a farmer does retire he realises his working capital, and turns his livestock, crop and machinery into cash. Generally when he invests this cash, he finds that after deducting tax his income is insufficient for his needs. At least while he farms he has a comfortable house, and a motor car free of tax. So why retire and give up these two pleasant privileges?

After a long period of penal taxation the average age of farmers is getting higher each year. This is an alarming state of affairs because as a direct consequence many of

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the most able young men trained for farming are having to seek their opportunities abroad. They are going to Kenya, Australia, Canada and other places where initiative and a small amount of capital can reap some reward. In this they are abundantly justified because there is really no opportunity for them in this country where it is almost impossible for them to rent farms.

How can we expect to have a vigorous rural population in the future when our farms are held by tax-evading business men, and ageing farmers; and all the best of those who should be the British farmers of the future are seeking their opportunities and farms in distant lands? What a return for the millions in subsidies paid to farmers annually by the taxpayer!

Another crippling blow to British farmers is the import duty on machinery, fertilisers and other farming requisites. In fact there are import duties on nearly everything a farmer has to buy. Many of them are at very high rates, and amount to a virtual prohibition of imports.

Unfortunately, it is so long since any free imports of agricultural requisites were available that farmers now find that in nearly every case manufacturers have built up a cast-iron price ring against them, and usually the farmer has to pay their arbitrarily fixed price or go without. Beyond question *these import duties on nearly all farming requisites are the principal reason why British farming is such high cost farming in comparison with that of some Continental countries*, and why such excessive subsidies are necessary to stimulate our agricultural production.

Since the war the National Farmers' Union have been bribed by the Government's high guaranteed prices for all agricultural products, and in return have ignored or condoned the unjustifiable and soaring increases in their

members' costs of production brought about by the monopolies and price rings which are the inevitable consequence of virtual prohibition of imports since 1932.

Let us examine briefly the effect of import duties on the price of two of the farmer's vital requisites—rubber tyres and sulphate of ammonia. The duty on tyres is 33 per cent and amounts to a prohibition. This has enabled the manufacturers to fix their prices, and to refuse discounts to farmers. Even if a farmer runs 12 or more tractors and vehicles he is not allowed any quantity discount, and has to pay the fixed retail price like a pleasure motorist. If a dealer gives a farmer a discount, the Tyre Manufacturers' Association will blacklist him, and cut off his supplies.

The Association's price-fixing arrangements were condemned last year by the Monopolies Commission in no uncertain terms but the Commission's report has in effect been ignored. Last December all the tyre manufacturers decided to increase their prices by 10 per cent but instead of a single announcement being made by the Association on behalf of all its members, each manufacturer made his own announcement. They all did so within a few days of each other. The farmer had to pay the increase or go without rubber tyres. How could this happen if there was free competition from imported Continental tyres?

The most-used and the most essential farm fertiliser is sulphate of ammonia. Since 1932 there has been a tariff duty of £4 per ton on sulphate of ammonia. As a result the British manufacturers have enjoyed complete immunity from foreign competition for 25 years and have been able to build up a fantastically rigid monopoly and price-fixing system against the British farmer. Before the war at slack seasons one could buy sulphate of ammonia at giveaway prices. Now 99 per cent of the sulphate of ammonia produced in this country is marketed by the I.C.I.-controlled Sulphate of Ammonia Federation. They impose their will on the farmer, and even at off seasons the farmer has now to pay the I.C.I. fixed price or go without.

Prices of sulphate of ammonia have moved exactly as one would expect from a monopoly operating behind a high tariff wall. During the last 12 months world prices of sulphate of ammonia have collapsed. This is due chiefly to a drastic curtailment of consumption by U.S.A. farmers. The U.S.A. Government have adopted the policy of restricting grain output by paying farmers to reduce their arable acreage. Consequently there is vast overproduction of sulphate of ammonia in the U.S.A. The price there has tumbled from \$42 per ton to \$30. Continental prices have followed suit. Yet last autumn while the world price was falling so sharply I.C.I. actually put up the fixed price they extort from the British farmers.

In December I obtained a firm quotation for Continental sulphate of ammonia. It was £16 15s. per ton f.o.b. The I.C.I. fixed price to the farmer is £20 15s. per ton. How can the £4 per ton duty on imported sulphate of ammonia be justified any longer?

One could quote other similar examples of the effect of import duties, covering the prices paid by farmers for tractors, chemical sprays, wire fencing material, feeding

stuffs, grass seeds, twine and many other requisites if space permitted. However, the two instances given here illustrate how British farmers are placed at the mercy of the manufacturers' price-fixing systems and, I hope, show that the enormous burden of subsidies, which are required annually to maintain our present rate of agricultural output are not entirely due to our farmers' inefficiency. I quite agree that the present rates of income tax and surtax deter to a certain extent farmers from expanding and trying out new ideas to reduce costs. But I am convinced that the high cost of British farming is mainly due to the pernicious effects of 25 years of complete tariff protection for the ancillary industries which supply farmers with all the things they require.

What farmers need is relief from income tax to give them more incentive, and free imports from abroad of all their requisites. Given these two things I can see no reason why after a few years farmers should not be able to stand on their own feet, and maintain a large agricultural production without any subsidies at all.

SOIL BANK RAISES LAND VALUES

UNDER President Eisenhower's vaunted "Soil Bank" plan, American farmers are paid by the U.S. Department of Agriculture for taking land out of production. This extract from a report in *Time* magazine, March 25, about the operation of the scheme in Kansas shows who benefits from this scheme:—

"Though this federal programme, plus the drought, has helped to cut the state's wheat acreage in half (present crop: 6,700,000 acres), it has also speeded up a three-year rise in farmland values, and given smart operators a new way to make money. In Morris County, Lawyer Marlin Brown and a partner got 5½ per cent insurance-company loans to buy eight farms, 1,500 acres, for an average of \$62.50 an acre. They plan to farm only the best 200 acres, but can put 771 of the poorer acres into the soil bank's 'conservation reserve.' For covering this land with Sudan grass now and sowing a permanent cover of bluestem and grama grasses next year, they expect the Government to pay upwards of \$15,000, about 80 per cent of the seed and sowing costs. This subsidised sowing qualifies the land for federal 'rent' at \$11 an acre this year and, under a ten-year contract beginning in 1958, an ultimate total rent just about exactly equal to their initial investment of \$94,000. 'We figure,' says Brown, 'that in ten years we can pay for the farms under the soil bank.'

"Other lawyers and bankers in central Kansas, now figuring the same way, have flocked to real-estate offices in search of 'bankable' land, pushed the prices fast enough to give Brown a \$10-an-acre profit if he were to sell out today."

New Light on Richard Cobden and the Land Question. By Victor Saldji. Includes extracts from speeches and writings during 23 years. Highly Recommended. 1955. 16 pp. 1s. 0d.

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