

Farming off the dole

Scottish farmer **Duncan Pickard** argues the future of European farming is tax and subsidy free

THE 1957 Treaty of Rome stated that the main aims of the Common Agricultural Policy were:

- to increase agricultural productivity;
- to ensure a standard of living for those engaged in agriculture comparable with that of other workers;
- to stabilise markets for agricultural produce; and
- to ensure adequate supplies of produce at reasonable prices to the consumer.

In reality, the CAP has always been a social welfare policy to give income support to small farmers: but because subsidies were directly linked to production, most of the money has gone to the twenty per cent of farmers who produce eighty per cent of the output. Even the income support given to those with small farms has had little or no relationship to the need of the recipients for such support. At least one third of farmers or their spouses in the original fifteen member countries of the European Union are known to have sources of income other than that derived from farming. In comparison with other sectors of the population that exist on low incomes, farmers are treated very generously.

Whether the money paid in income support improves the standard of living of most of its recipients is debatable. Most of the money can be accounted for in the increased price of agricultural land and in the rent paid by tenant farmers. The CAP is an indirect means of increasing the wealth of landowners; agricultural land prices would be lower if the CAP was abolished. Many of those who actually work on the land would not see a reduction in their expendable incomes. Those who would like to become farmers but who are unable to gain access to land because it is currently too expensive would see a big increase in the chances of achieving their aims.

Over the last six years the CAP has changed from a policy where payments were directly linked to production to the payment of subsidy according to the area available to be farmed. The Single Farm Payment system means that farmers have no obligation to produce anything in order to receive the area payment. In Scotland large areas of the hills and uplands now have no sheep or cattle and some arable land is fallow. If a farmer can obtain sufficient income from the SFP without keeping livestock or growing crops, it is natural for him to do so. It is a fundamental feature of human behaviour

for people not to work when they can satisfy their needs whilst not working.

There has been a decline in the production of meat as a result of the decrease in livestock numbers. Government ministers and the leaders of the farmers' unions are trying to find ways to reverse this trend. An obvious way to ensure that livestock return to the hills would be to abolish the CAP. Without the SFP, landowners would either have to keep sheep or cattle to make a living or make way for someone else to do so. This option is not on the current agenda, because most farmers have become so accustomed to subsidised farming that they believe that survival without subsidies would be impossible. However, it is not true to say that farming cannot be profitable without them. When subsidies were stopped in New Zealand twenty-five years ago, many said that farming would collapse. No one currently farming in New Zealand would want subsidies to be reintroduced. Adaptation was painful for some, especially those who had bought land at high prices which could only be justified by the receipt of subsidies.

Those of us farming under the CAP would also adapt to change if subsidies were scrapped. It is not unlikely that, after 2013, we shall have to cope with much smaller payments than we receive at present. The European Commission is seeking to unify the area payments throughout the twenty-seven EU countries. This will mean that the farmers in the twelve most recent countries to join the EU will receive higher payments than at present and those in the other fifteen countries will receive less. Scottish arable payments will probably fall from about £200 per hectare to half that amount. There is little prospect of the EU budget increasing to maintain income support at its current level. The economic recession throughout the EU is not going to end for several more years and the whole subject of subsidised agriculture will be questioned. Any objective assessment of the CAP would find it strange that such large amounts of money are spent in adding to the wealth of landowners when the budgets of all the member countries of the EU are showing massive deficits. The OECD has estimated that the total cost of the CAP is about a hundred billion euros per year, about half from taxes and half from higher food prices.

For anyone who studies the current economic recession and the prospects for bringing the public finances under control,

the CAP is an obvious target for cost-cutting. It is difficult to justify continuing to boost the price of agricultural land and make it more attractive to speculators. The recession has its roots in property speculation, not only by banks but also by home owners, encouraged by a tax system which made investment in property so attractive. Property is taxed much more lightly than employment and productive enterprise. It seems that most politicians and economists, who insist that 'land' is 'capital', have learned nothing from the current mess and are trying to reflate the property bubble as soon as possible. They appear to accept without question the view that high and ever-increasing property prices are essential for the economy to function successfully. Farming would benefit from lower land prices.

The unpalatable truth is that these factors make up the Achilles heel of the form of capitalism seen in most countries. That heel now lies fatally exposed by the current crisis. The only way capitalism can function properly is by governments collecting resource rents to pay for essential public spending, and removing the tax burden from employment and enterprise.

The future of European farming must be tax and subsidy free. **LAL**

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