

- EUROPE'S farm ministers have once again cobbled together a package that is aimed at staving off the budgetary crisis in the European community – a crisis created by a lopsided agricultural policy that was designed to help everyone but has actually enriched a few.

- New price restrictions on cereal have now been agreed in Brussels. These may help to reduce the food mountains, but they will do nothing about the underlying rural problem – the offensive poverty that has not been eradicated despite a phenomenal increase in the productivity of workers over the past few decades.

- What is the explanation? INSITE investigates.

DESPITE the generosity of the Common Agricultural Policy – Britain received £7,058 million from the coffers in Brussels between 1976 and 1984 – an astonishing 40 per cent of full-time farm workers earn less than the supplementary benefit level, according to the London-based Low Pay Unit.

We cannot blame the Treaty of Rome, by which the EEC was set up. It advocates parity on the farm with the wages of industry. Until 1973, rural workers were among the poorest of the nation's poor. Unfortunately, the relative position of rural workers has declined since Britain joined the Common Market. In 1974 they received 74 per cent of the all-industries average wage. By last year, that figure had dropped to just 64 per cent. *Wages, it seems, cannot be equalised by treaty!*

Certainly the 112,000 full-time workers cannot be blamed. They are the most productive workforce in Britain today. Witness the mountains of beef and butter which prove that they can bring home the bacon: their job is to grow it, and leave others to worry about eating it. Yet agriculture's astonishing productivity is not reflected in their living standards. Average gross weekly earnings are about £40 below the wage of the average industrial worker. *Wages, it seems, cannot be equalised by plain hard work!*

Farm workers would not accuse the consumers of meanness. Housewives pay an average of £1.85 a day more than they would if the EEC allowed the lower world food prices to reign in the shops. Kenneth Thomson, a senior lecturer in Newcastle University's Department of Agricultural Economics, has calculated the joint cost of the Common Agricultural Policy to the European consumer and taxpayer this year to be around £41 billion, which works out at around £600 for a family of four. That is generosity unparalleled in the history of State-financed welfare. *Wages, it seems, cannot be equalised by artificial pricing!*

So we have a mystery. Who is pocketing the benefits of the lavish CAP? To find the answer to what is a major economic scandal we have to reach back 150 years. By combining the observations of William Cobbett, who went for some rural rides about that time, and the economic theory of one David Ricardo, we can expose a financial sleight-of-hand that leaves modern City frauds looking like raids on the small change of a piggy-bank. Ricardo in 1817 wrote his masterly treatise on rent, which said the landlords' monopoly meant they took everything over the cost of production as rent. In essence, this means farming

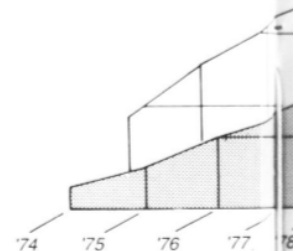
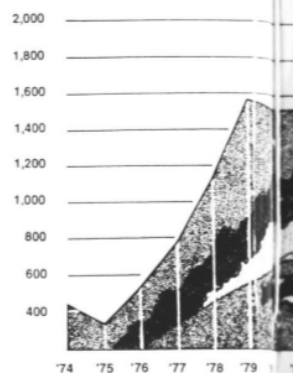
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With high land prices and low wages the future looks bleak for our food producers



• Richard Body

LAND PRICES in the UK

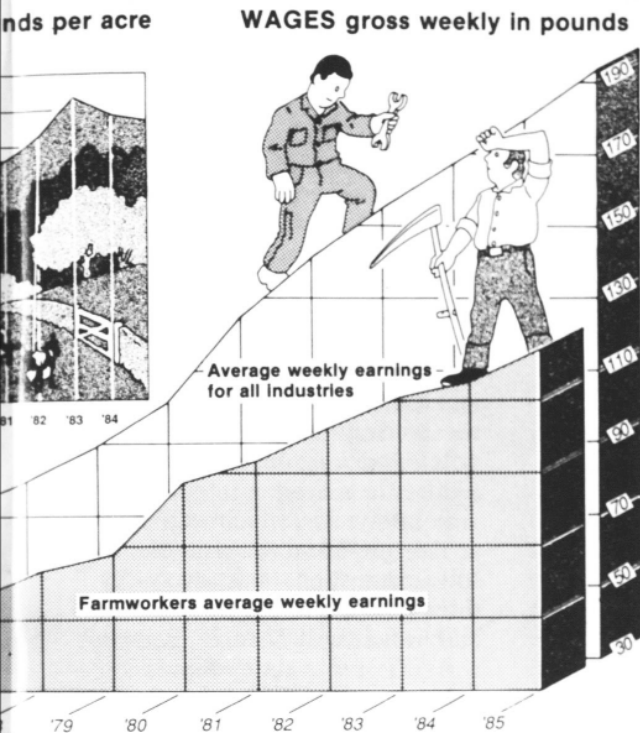


profits do not lead to higher wages for farm workers, but to higher land values for land owners.

The nearest we have to a Ricardian economist in Parliament today: Richard Body MP, Berkshire farmer, knight of the realm and chairman of the House of Commons select committee on agriculture. He said: "All the money has gone into inflated land values. If you add up all the money we have given to agriculture by way of price support since the war, it comes to £70,000 million. You then calculate how much agricultural land has gone up above the rate of inflation, and it equals £70,000 million too. In 1945 an acre of Grade 3 land would fetch £25. Now it is fetching about £1,750 an acre. The rate of inflation has decimated the pound to one-tenth of its value, so an acre of land ought to be worth £250. Therefore, our agricultural land has gone up £1,500 more than it should have done. And that's entirely attributable – as David Ricardo said in his theory of rent – to the government artificially raising food prices. So the producers' benefits are nullified, and the benefit goes to the landowner."

William Cobbett saw on his rides the paradox of the fabulously rich land and the awful squalor among the farm workers and tenant farmers in the eastern part of the country. And so it is the case today, says Sir Richard – for example, the workers trapped in the rural ghettos to the east of a line drawn from north of the Humber down to the Thames.

THE LAND?



"There, farm wages are low. The most important reason is that it is very difficult for a farm worker who is working long hours in a remote village to take the initiative and try to get another job elsewhere. He may be in a tied cottage or a council house, which makes it difficult for him to leave. And if he takes time off to go for another job, his employer will find out and that will cause difficulty. The result is that certain bad employers have taken advantage of it and wages have not gone up in those areas as much as they should have done."

Economists may try to refine Sir Richard's classical analysis, but it still boils down to the same result in the end. It is true, for example, that some of the CAP budget has gone into storing or dumping the surplus food - £20 million a day, in fact. The EEC also generously subsidises the cost of selling food to the Soviet Union: beef that costs around £3 a lb in Britain costs 15p in Russia; Britons pay £1 for a lb of butter, which costs 50p in Russia.

Then there are the extra profits made by the food processing industry. But that has still left rich spoils for someone. Agricultural economist Kenneth Thomson described the way in which the money was creamed off - economists say "capitalised" - into higher land values. Landowners and City institutions anticipated that the CAP would offer generous subsidies, so they scooped off the extra cash (the sum over and above the costs of producing food) into higher rents and sale

prices. In practice, they prevented working farmers from banking the cream off the top of the CAP budget.

Mr. Thomson, who works on Newcastle University's econometric model of the European agricultural sector, said: "Farmers competed with each other for land, which meant the benefits of the CAP disappeared into high priced land. There was a phenomenal increase in land prices in the late 70s, and farmers now have to pay off their mortgages in the same way as the rest of us have to pay off the high prices of our houses."

Is there no hope of an improvement for the farm worker? The industry has an Agricultural Wages Board, which sets minimum wages, but Sir Richard says that in large swathes of Britain these have become the norm.

Traditionally the bargaining techniques of farm workers have been ramshackle. Since they merged their union with the Transport and General Workers, however, they have become shrewder. This year they effectively demolished the employers' argument that the plight of the industry prohibited a generous wage settlement. They fought back with these arguments:

- Only 22 per cent of farmers regularly employ labour, and they take 75 per cent (£1.5 billion) of the industry's income. It is therefore spurious to argue with industry-wide averages, which disguise both very low and very high incomes. For example, the average net income of a small farm in England last year was just £3,074; the medium sized farm made £10,535, compared with the £36,867 of a large farm, which is the main employer of labour.

- German workers receive 45 per cent of their employers' earnings, compared with a British figure of 10.5 per cent. Why, ask the British workers, is there such a yawning difference? If British workers' wages were similar to the French (28.5 per cent of employers' earnings), the farmers' wage bill would rise by nearly £300 million. That would give the workers nearly £50 a week more.

It does seem, then, that the availability of cash is not the problem. Agriculture takes around 70 per cent of the EEC's budget, and farm spending will cost nearly £23 billion this year. Agricultural workers - only half of them are unionised - have tried to capture a larger share of the industry's profits. This year Britain's Agricultural Wages Board awarded them a 5.3 per cent increase. This is well below what the workers wanted, but their claim was resisted by the farmers on the grounds that farm incomes declined by 30 per cent in 1985. *Wages, it seems, cannot be equalised by legislative fiat!*

Without a deeper understanding of what appears to be a bewildering process, there will be no groundswell demand for reform. We need, it seems, a pamphleteer of William Cobbett's stature to embark on a latterday rural ride. By exposing the sad human condition concealed in the country cottages across Britain, he might be able to rouse the wrath of the nation. *Then we might get a reasoned account of why rural wages are so low!*