CHAPTER 6

Britain's Guaranteed Farm Prosperity

EVERY MORNING AT SEVEN O'CLOCK the Red Poll cows crowd through the gate and plod up the path half-hidden under ancient oak trees. A few minutes past seven, the clatter of stanchions and the bang of milk cans announce that it is milking time in the red brick barn at the Tim Fischer farm. Tim Fischer and his cousin farm 300 acres in the shire of Kent in southeastern England. The farm was once part of a large estate that spread out across the rolling, wooded knolls surrounding a huge manor-house, now used as a girls' school.

Tim Fischer, like all British farmers, knows the price he will get for his milk when it is picked up every morning. He has known the price ever since February when prices were published for the next twelve months. Tim Fischer sells his milk under contract between the government and the British farmers for a guaranteed price. Likewise, last spring before planting time, he knew the price this fall at harvest for his grain and potatoes.

His wife can tell you what she will get for her eggs next week, next fall, and winter, too, for that matter. With a quick glance at the schedule of prices, Fischer can tell you the minimum price two years hence for his calves, the minimum price for his hogs a year from this fall. He may get more, but he knows he will not get less. If his costs go up, that will be taken into consideration.

In Britain not only does the government guarantee the price of various farm products that make up two-thirds of the farmers' income, but it assures the farmers a market at this price. On these basic crops, the government is the only legal buyer.

This all started during the war. Just as in the United States, Great Britain, in the 30's, enacted several agricultural marketing laws in an effort to get a floundering agriculture back on its feet. It was not until the beginning of the war that agricultural prices and production, along with the rest of British economy, became completely planned.

Encouraged by good prices and patriotic appeal, and perhaps slightly prodded by compulsory acreage quotas, the British farmers plowed up their permanent pastures, reduced their livestock, and increased the British home-produced food by 50 per cent.

To keep down inflation caused by workers demanding more money because of an increased cost of living, food prices in the stores were fixed with little thought to the prices paid to farmers. The differences came from the taxpayers as subsidies. The government stepped into the market and bought directly from the farmer the entire production of grains, meat, eggs, milk, potatoes, and sugar beets.

At the end of the war, this policy became a permanent fixture in British agriculture when it was written into the Agricultural Act of 1947.

Today's British agricultural policy boils down to four chief points: (1) guaranteed prices and an assured market, (2) security to tenants (it is almost impossible for a landlord to make a tenant move so long as he does even a reasonably good job of farming), (3) cheap food to the housewife by a maze of subsidies from public funds, and (4) direct government payment for certain types of marginal farmers, such as the small *croft* farmers on the bleak Scottish highlands.

Let us see just how this program works to give Tim Fischer and the 400,000 other British farmers guaranteed prices and an assured market for most of their products.

In February, the British Ministry of Agriculture held a price review to establish prices for the coming year. Government officials sat down on one side of the table. The Farmers' Union, whose membership makes up the bulk of the farmers like Tim Fischer, sat on the other side.

Before them were stacks of reports such as farm account books to determine farm costs, the financial position of various types and kinds of farms, comparisons of farm income to that of people working in the factories and to other kinds of business, prices of the things farmers must buy, farm labor wages, and the like.

The farmers' organization then negotiated for a total national income for farmers. Last year British farmers made a little more than a billion dollars by the old rate of exchange, or about 3 per cent of the total national income. This year, because of higher production *targets,* farmers will make more. They will have more acres in crops and will produce more milk.

Once the total income is agreed upon, it is then broken down in prices for various crops. But, you may ask, what if they can't agree? Under the law, the government must consult farm representatives. It is not demanded that they agree. The final prices rest entirely with the government. And, too, the government can increase the price to encourage farmers to grow certain crops that they feel are necessary for reasons such as national defense or to cut down imports.

Sounds fine, doesn't it? With established prices, the farmer doesn't have to worry about marketing time or sliding prices. He can devote all of his time to planning and producing farm crops. The program has the wholehearted support of the Farmers' Union and all major political parties. Most farmers like it.

In order to judge the plan of forward price fixing in Britain, you must understand something about British agriculture. The entire United

Kingdom — which includes England, Scotland, Wales, and Northern Ireland — has only some 60 million acres, about the size of Wisconsin and Illinois together. No farmer in the United Kingdom need drive more than 100 miles to get to the ocean. Of the United Kingdom's 48 million people, only about 6 per cent are farmers. About 16 per cent of the people in America are farmers.

Because of the limited land area, only some 17 million acres being in cropland, the farmers never produce enough food for the island's people. Even today, with an intense drive to increase food production, about 60 per cent of the food comes from abroad. With the possible exception of milk and potatoes, the British farmer is never faced with the price-devastating surpluses that plague our own farmers. Even with dairy products, large quantities of cheese and butter each year come from Holland and Denmark.

Prices in Great Britain could be maintained on most agricultural products merely by regulating the amount of imports.

You must remember that Great Britain has a completely and rigidly controlled economy. I couldn't even get six rolls of colored film that had been sent to me until I had an import license. The farm program is only part of that plan.

Pricing System

Against this backdrop, let us look closely at the British price system. So far, it has operated only during periods of crisis. The dollar shortage has pretty well dictated the order of importance of products. No one could argue that more meat or high protein livestock feeds were not needed. The fact that these products could be bought cheaper on the world market than they can be produced in Great Britain means little so long as Great Britain does not have the money to buy them or needs to spend her money for something else she cannot produce at home.

So Britain has paid rather dearly for home-produced meat. In time Britain should have the exchange to buy more goods on the world market. Even now milk supplies have caught up with the demand. Priorities for crop production will soon be more difficult to determine. It may be hard to figure how much above world prices British farmers should get.

Let us look at wheat. To get more wheat, higher prices keep less adapted land for wheat in wheat production. If prices come down, many less adapted wheat farms could no longer produce wheat profitably. Home-grown wheat supplies would go down. Then the argument could always be used that wheat is a basic crop, national security demands large local production, wheat fits well into the rotation, and so on.

In the end, the price of wheat might very well depend upon the ability of the Farmers' Union to argue the case on non-economic grounds. This has actually happened in the case of sugar beets.

During the first world war, to get additional sugar the government introduced sugar beets, built sugar beet factories, and gave generous subsidies to sugar beet growers. It was all to be a wartime measure. With peace and world trade restored, Britain could return to buying cheaper sugar abroad. Peace came, world trade was restored, but sugar beet subsidies went on.

Today, Britain could grow sugar cane in her own colonies, and import the sugar much cheaper than she grows it at home. But you should hear the long array of arguments built up for home sugar production. First, there is the rather effective argument that such an industry would be vitally needed in the event of war. There is the argument that sugar beets fit well into the rotation, that processing factories are already built, and so on.

What effect will a cost plus price for agricultural products have on efficiency? One could hardly expect it to increase efficiency. Of course, the government could force increased efficiency if it took the bull by the horns, and gradually reduced prices. However, it would have to be over the screams of many farmers that the government was trying to put them out of business. That would take a good deal of political courage.

The British farmer has done very well under guaranteed prices. During the war boom years, he might have gotten more for his agricultural products on a freer market, but even we had ceil-

Fig. 3—This happy Italian farmer lives in southern Italy. Like others of his kind, he faces the problem of too many farmers on too few acres (Chap. 2).

Fig. 4—Farmer Dimitri Boniakos grows rice on once-barren salt flats which have been reclaimed by an American-type extension service operation (Chap. 4).

ings then to hold down inflation. At present, on a freer market, he would get perhaps about the same for grains, considerably less for livestock, eggs, and milk, based on present world prices.

Before the war, the British farmer received only 1.3 per cent of the national income. At present he receives about 2.8 per cent, and in future years he may get even more. Before the war, the average income per farm in Britain was $640. It is now a little more than $3,000. So you see, he has done pretty well. Some folks say "too well," for he has worked on what is essentially a cost plus contract for his products.

Cost of Subsidies

To me, the most dangerous part of the whole program is the necessary subsidies required to operate it. In order to keep the price of food down, the government establishes prices in the grocery store at a low level. The loss comes from the public till as subsidies.

As costs increased after the war, the amount of money needed for food subsidies skyrocketed until, in 1949, the British government spent $2 billion at the old exchange rate then in effect on its cheap food program. If we had such a subsidy here in America at the same rate per person, it would cost us around $6 billion a year.

In 1949, the British government spent nearly $200 million in subsidies for home-produced beef alone. This doesn't include $128 million subsidy for imported feeding stuff to help keep the feed cost down for the British farmer. Who pays for this? Everybody in England who pays taxes, and that includes just everybody.

In Britain in 1948, 42 per cent of the national income went for taxes. So you see, cheap food for all but the very low income families is just a pipe dream.

To me, it seemed a plain admission that people aren't getting enough wages if they don't have enough money to pay what it costs to produce food. But cheap food is a popular campaign theme. The British people told me that any political party that didn't go along was doomed to failure.

Many British taxpayers look with scorn on these giant subsidies. When I was in Great Britain, a member of parliament, Stanley Evans, an assistant in the Ministry of Food, was fired because he said, "No other nation featherbeds its agriculture like Britain."

The government quickly came to the defense of the farmer. Headlines in the newspapers like, "Farmers have sacksful of notes, MP's are told," did not help the farmers' cause and had wide appeal among the housewives who were trying to make their husbands' weekly paychecks go as far as possible. So, while Mr. Evans may have been irrational in his arguments, many far more conservative British city people are beginning to wonder just the same thing.

The farmer is justified in pointing out that the subsidies are food subsidies to hold down the cost of food to the consumer. But as world prices went down before the Korean war, more and more of the subsidies became farmer subsidies and less and less consumer subsidies. There is no doubt that the total food subsidy check in Britain rose to enormous levels.

Let us take the case of milk, the most heavily subsidized product in Great Britain. With cheap milk and school milk programs, the consumption of whole milk has gone up. Dairy farmers have built new barns and expanded their herds to meet this increased demand. These programs are costing the taxpayers $300 million a year.

Now dairy farmers have about caught up with the increased demand. Should some of the subsidies be taken off, the dairy farmer feels that consumption would go down and that he would be left with heavy investment in barns and cattle that he made to meet the government's plea for more milk.

So the dairy industry may have to put on a campaign to increase even further the consumption of milk. But the more milk the British drink, the more it costs the government.

The Ministry of Agriculture has a way out. Under the present regulations, it can guarantee prices only on a portion of a crop. So far the demand has been for more food and this regulation has not been imposed. It could be at any time, however, if the government ever runs into real trouble with surplus. Since British farmers produce only 40 per cent of the food eaten, surpluses are generally no real problem except possibly milk and potatoes.

Cheap food has a strong political appeal, but it merely takes the same amount away in taxes with a substantial sum off to maintain a huge government staff of people. In the end, the price the farmer receives may well depend upon the ability of the Farmers' Union to bargain for the farmers.

The farmer has one big argument. Every pound of beef he produces, every bushel of grain, means that one less pound of beef and one less bushel of grain has to be brought by ship from far away Australia or the Argentine. That's pretty important if war should come and submarines start prowling again.

So far, times have been good in Britain and nearly everybody has had a job. But I seriously doubt, even in Britain with its rigidly controlled economy, that the workers, who outnumber the farmers more than ten to one, would allow the farmers to live in prosperity when they themselves were out of work like in the 30's. That, of course, is the time when farmers really need help.

Said one British farm economist, "During the 20's and 30's, the pendulum swung way over and the farmer lost out; now it has definitely swung over to the farmer's side. He will do pretty well if he can keep it there."

At the best, the British farmer from now on out is in the midst of politics right up to the top of every pail of milk and every bushel of wheat. His very living depends upon the continued existence of a friendly parliament.