The dismantling of European farming

George Elder, who polled 31% in his April 1984 Democratic primary bid for Congress in Pennsylvania, gives a firsthand report on the situation in Denmark.

The purpose of this report is to document the deliberate destruction of European agriculture by examining its most productive sector, the Danish, under a microscope. Just as in the United States, food production within the European Economic Community (EEC) is being cut back under the pretext that there is a worldwide food glut. Not only does the disastrous famine in Ethiopia, which is just a well-publicized case of the ongoing genocide by famine in Africa, give this the lie, but there are actually food shortages within the EEC itself. For example, milk shortages have already been reported in Germany by the press, with many dairies in Germany declaring that their milk deliveries have been reduced by 40%.

Not only do the new binding quotas on food production increase the possibility of an absolute worldwide food shortage in the not too distant future, but, as in the United States, this forced reduction of production threatens to bankrupt European farming. The situation in Denmark is paradigmatic.

According to leaders of the Danish farm community, there are only about 50,000 full-time farmers left in Denmark, who produce 80% of the food. Overall, 80% of the pork and two-thirds of the other foodstuffs produced are exported. Of the 50,000 full-time farmers, at least 5,000, but more realistically 10,000, are on the verge of bankruptcy, with more to follow. Farmers have been forced to begin investing in labor-intensive agriculture because they cannot afford new equipment. Farmers are forced to keep their money in farm operations or lose their equipment deduction by tax laws that allow only about $9,000 per year for household expenses; additionally, farmers end up paying 70% or more of their income in taxes. Real estate taxes are as high as those in the United States.

Denmark is a country of family farmers—97% of their 73,000-80,000 total farm units are resident owned. They make up only 3% of the Danish population, which itself makes up only 2% of the population of the EEC. The following figures will demonstrate that these farmers are indeed the world's most productive agricultural producers: The Danish farmers produce 6% of the grain, 5% of the milk, from 3-4% of the beef and veal, and 9% of the pork grown within the EEC. These figures are taken from the 1982 report of the Agricultural Council of Denmark, where it is also claimed that each Danish farmer produces food for 135 people. This is double the estimate for U.S. farmers. A financial collapse in agriculture would wreck the Danish economy as a whole. This country has increased agricultural production by 45% during the last 10 years. In addition, 45% of the total GNP is related to food; therefore this segment constitutes a much larger percentage of the real production of this country.

The current situation

Per hectare yields in grain this year are the best in the century, with the yield up by 30%. This has meant that grain prices are dropping by 36% compared to prices last year, and the trend is for further drops. While wheat prices are falling, fertilizer prices have risen by 25% from last season. In addition, an odd thing happened at the end of last year near Christmas. The price of fertilizer went up approximately 100%, stayed there for some time, then fell as sharply as it had risen. Farmers were told this happened because the U.S. dollar was so strong that the U.S. companies bought up all their fertilizer and had it shipped to the United States.

The high yield in wheat is due not only to good weather but to the introduction of winter grains into production. As everywhere, the credit situation is poor for these farmers, and a significant section of them are threatened with bankruptcy. While these farms may be taken out of production, thus reducing the supply of grain next year, the EEC is now considering mandating a quota for reduction of grain production next year, based upon this year's high yields. A further complication is that the present weather—heavy rains throughout the Jutland area—has pushed back the fall planting from one month to seven weeks, thus even more seriously threatening next year's grain production.

The low grain prices have created an ideal situation for pig farmers, since pork prices have been high this year; however, the expectation is of falling prices which should threaten them over the next two years. But even with low feed prices, the dairy industry is on the edge of collapse. Individual penalties are imposed on farmers under the quota system when a country goes over the quota limit. Early in this process, Denmark reacted quickly, and has been under the quota ever since. However, in the last two months, and especially the last month, production has been rising. If this trend continues, farmers face severe fines. One young farmer I met

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Author George Elder, speaking at a conference of the European Labor Party in Wiesbaden, West Germany, during his recently concluded European tour.

must pay a $40,000 fine for milk he produced. This farmer has doubled the herd production in three years from 2,560 kilos to 6,200 kilos. He has also increased the herd size from 65 to 140 head while hiring only one additional man. He, like many other farmers, used long-term planning. He remodeled his barn, made a large addition, and rebuilt his herd, anticipating a continued market for milk. If he has to pay the penalty, he will go bankrupt. After the quota program started, if he had cut production, he would have gone bankrupt then.

The scheduled reduction in milk quotas, as accurately as I can ascertain, amounts to 7% for Denmark, 2% for Italy and France, and 6% for England. The case in England is illustrative of the Malthusian implications of this EEC policy of forced reductions in food production. In England, large farms are forced to reduce production by an additional 5% over the mandated 6%. As a whole in Denmark, as a result of this policy, butter production has been reduced by 30% this year.

The problem for the Danish farmer, as everywhere, hinges on credit. The credit institutions are an interesting study in themselves. I have been told, and some preliminary study seems to confirm, that when the serfs got land in Denmark, the smart oligarchs turned to controlling credit.

During the last five years, the agriculture sector went through a major credit crisis. At that time, it was believed that there were too many farms. Many farmers went bankrupt, and there were so many farms to be absorbed and so many young men who wanted to farm that the credit necessary to finance this did not exist. At that time, a special capital formation organization was formed by the government. This institution, as well as the others offering credit to the farmers, is in trouble. Farmers are again being told that there are too many farmers and that at least 50% must leave farming in the next 10 years. They are also being told that the old way of financing farming will not furnish enough money, and therefore new ways of financing farms must be found.

An end to the family farmer?

The way Denmark handles what is called "debt sanitation," which would be called debt reorganization in the United States, is a potential bomb. All interpretation of the law is left to local judges. Therefore, practice varies everywhere.

The "sanitation" program was begun to help save farmers from bankruptcy by allowing them time to reorganize their financial affairs. The debt reorganization takes the form of reduced payments on loans or no payments at all for a period of two years. A review is made after two years, and further action is taken.

The entire concept has been defeated by high interest rates and low prices. Therefore, rather than helping the farmer, the system gives the farmer a short reprieve before a final death sentence.

However, production does continue. One unique situation has helped save agriculture. In Denmark, a husband and wife do not go bankrupt together. Therefore a farmer can go bankrupt himself and go back into farming in his wife's name. A large number of farmers have taken this route. Discussion in the press by farm leaders and politicians confirms that the current financing arrangements for farmers are in flux. In fact, the two types being put forward will facilitate the shift in land ownership and control from the hands of the owner-operator. Farmers fear that attempts to remove the land from the control of the farmers will be successful. In the words of one farmer: "This time things are different; there is not political will to solve the problem."

With the reduction of grain prices, dairy production, and with 20% of the farmers on the verge of bankruptcy; with financial institutions already losing as much as 50% on an increasing number of bankruptcies, a total collapse is therefore imminent unless immediate, major changes are made. When it is noted that the average loan to asset ratio is 60% for farmers, this forecast takes on even more substance. The bankruptcies are decreasing land values, the major source of farm financing. As the trend continues, credit institutions will need more collateral, which the farmers obviously don't have. Agriculture is extremely capital intensive, and therefore a lack of credit means total colapse since farmers are unable to get the money out of their operations, even when passing the land on to the next generation.

The agriculture minister stated in a press conference in mid-October that there is overproduction in food and that therefore farmers should turn to alternate forms of production. He suggested farmers produce new food products like worms, eels, and snails.