

# A Rough Guide to the UK Farming Crisis



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# Introduction

# 1

*'The food business is far and away the most important business in the world. Everything else is a luxury. Food is what you need to sustain life every day. Food is fuel. You can't run a tractor without fuel and you can't run a human being without it either. Food is the absolute beginning.'*

Dwayne Andreas, former Chair and CEO of global grain trader, Archer Daniels Midland <sup>1</sup>

The UK farming industry is of vital importance for the production of our food. On top of this, farmers are entrusted with a number of other responsibilities. They are expected to care for and manage the land in a way that promotes wildlife and preserves the landscape; they are expected to produce food which is safe, hygienic and 'natural'; they are expected to treat their animals humanely; and they are at the hub of the rural community.

But farmers have taken a battering from environmentalists, and from the public in general, for not carrying out these responsibilities as well as they should. Much of this criticism is justified. However, this report argues is that it is not entirely the farmers' fault if they have failed in these undertakings. The problems that surround the farming industry are very largely attributable to one elementary fact which is beyond the farmers' control.

It is tempting to say that farmers are simply not paid enough; but that is not quite accurate. Many farmers are currently very badly paid; but some do quite well, because they are large and economically efficient, or because they receive generous subsidies, or because they manage to surf on a wave of bank loans that never breaks, or because they have diversified.

The truth is that farmers are expected to work to impossibly small margins, which no other industry would contemplate. When the profit from a full grown pig, whose meat may be worth £150 or more once processed and retailed, is around £2.50, or the profit from a litre of milk selling for 50 pence is less than a penny, then we cannot expect farmers to do the job as well as the public expects. A great many farmers are simply struggling to survive.

This report argues that at the root of the farming crisis are food and agriculture policies and global trade agreements which promote trade liberalisation. These factors have facilitated the globalisation of the trade in food and the concentration of market power in the hands of a very small number of multinational food corporations and supermarkets, who now control the flow of food from 'farm to fork'.

Competition among farmers for limited markets has increased, which drives down farmgate prices and farmers' profits. At the same time corporate concentration has decreased competition among agribusiness corporations, increasing their profits.

When the UK Government commissioned the Curry report to investigate the farming crisis, it expressly forbade the panel to question the impact of international trade relations upon the UK farming industry.<sup>2</sup> The unsurprising result was a document that failed utterly to address the underlying causes of the problem.

The purpose of this report is to examine these underlying causes, and to make proposals for how we can start to address them. However, in a document this short, our analysis of the food system is necessarily 'rough' and we certainly do not hold ourselves up as having all the answers, but we hope this report will provide food for thought and action.

The report comes to a number of conclusions, but one is perhaps more important than the rest: that farmers, environmentalists and people concerned about social justice have a common cause: the transformation of the current damaging and highly exploitative food system and the creation of a pattern of food production based on respect for the land and the needs of local communities rather than exploitation and greed. None of us will succeed in this cause until we learn to work together.

# 2

## A bit of history: The development of the industrial food and farming system

*'The centralised food system that continues to emerge was never voted on by .... the people of the world. It is the product of deliberate decisions made by a very few powerful human actors. This is not the only system that could emerge. Is it not time to ask some critical questions about our food system and about what is in the best interest of this and future generations?'*

William Heffernan, Rural Sociologist, University of Missouri <sup>3</sup>

The story of the farming crisis in Britain is not just the story of how farmgate prices have plummeted over the last five years sending many British farmers into financial crisis, the crisis in farming is much longer and deeper than that. It is the story of how farming in the UK has been transformed from the occupation of the bulk of the population into a resource and capital-intensive, highly industrialised operation with a dramatic decline in the number of small and family farmers and farm workers.

It is also the story of the transformation of the food system from the local/regional supply of food products to the sourcing of lowest-cost agricultural raw materials on the global market.

Major historical events mark the progress of this transformation in the UK. The enclosure of the commons, at its peak in the 1700s, brought an end to subsistence farming and turned peasants into free labour. The Industrial Revolution brought time and labour-saving technology to the fields and created an army of hungry town-dwelling factory workers to feed. The repeal of the Corn Laws in 1846 marked the end of UK market protectionism and allowed the flow of imported grain from the Americas. The introduction of refrigerated ships in the 1880s and the activities of the Co-operative Society in the UK further encouraged an international trade in food, especially perishable foods, with the UK importing wheat, meat and dairy produce from the Americas and Australasia and sugar, coffee, tea and other tropical produce from colonies.

By the start of the Second World War, 70% of the UK's food needs were imported. Shortages of food during the war demonstrated the importance of national food security, and post-war UK farm policy used generous production subsidies to encourage farmers to maximise yields by the application of industrial methods. In the past fifty years, farmers in industrialised countries have been spectacularly successful at increasing food production.



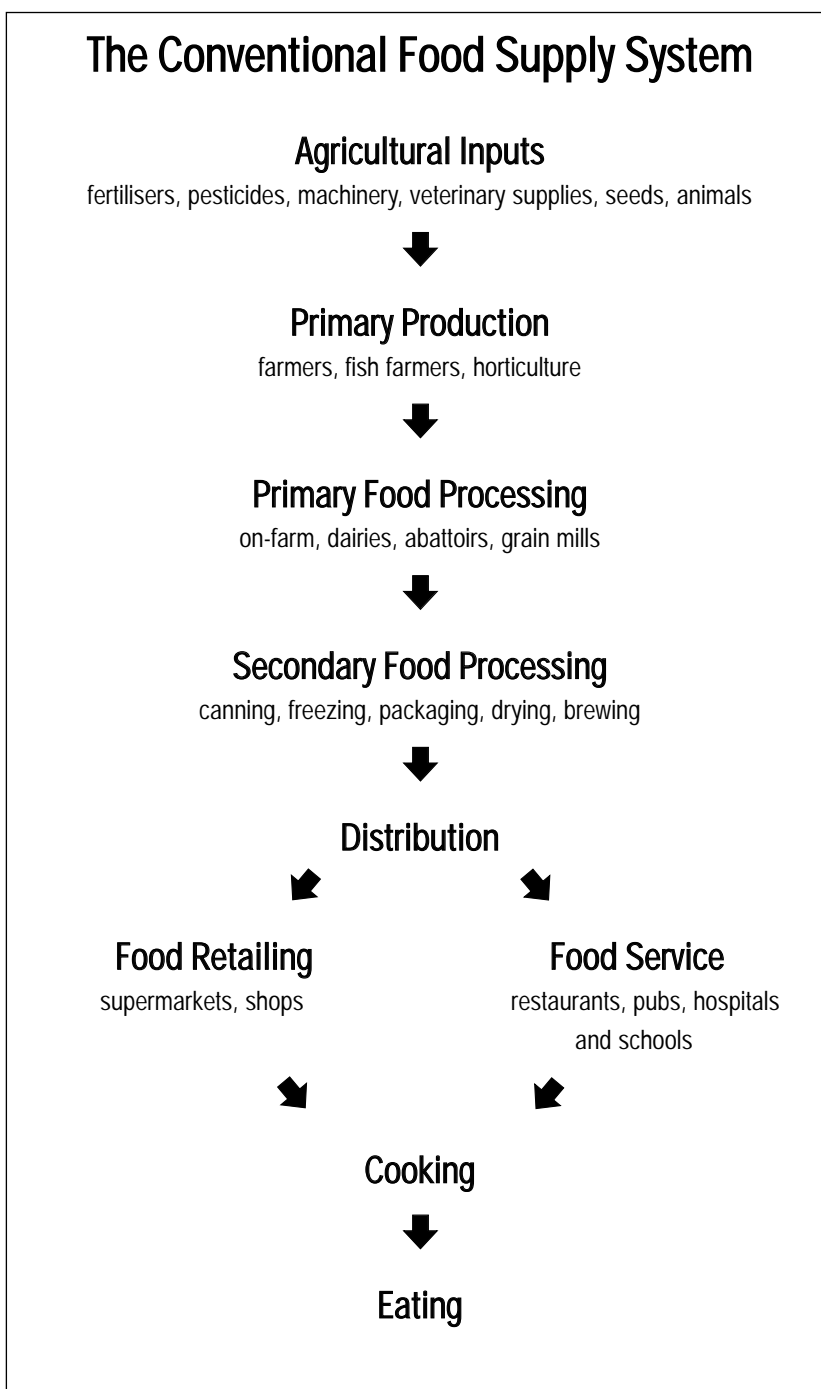
## Chapter 2: A bit of history

Encouraged by government agricultural policies and by the development of new agricultural technologies; pesticides, chemical fertilisers, plant and animal breeding, antibiotics and machinery, farmers can now produce much more from the same land. Compared to 1950, per hectare yields of wheat, barley, potatoes and sugar have tripled, while milk yields per cow have more than doubled.<sup>4</sup> At the same time, fewer and fewer people are involved in the production of our food. The industrialisation of agriculture has replaced farm-based processes and farm labour with ever greater amounts of capital, for example by replacing farm animals and labour with machinery and the removal of the processing of milk and cheese from farms to factories. By this means, an ever-increasing proportion of the value generated by agriculture is moved away from farmers and flows into the hands of food corporations.<sup>5</sup> Between 1910 and 1990 the share of the agricultural economy received by US farmers dropped from 21% to 5%, the gains being taken up by agribusiness corporations.<sup>6</sup>

The development of GM crop technology can be seen as a further step in the industrialisation of agriculture, through the appropriation of genetic resources. This technology, driven largely by capital investment from biotechnology corporations, aims to replace a previously free resource - farm-saved seed - with seed purchased from patent-holding corporations.

As the food system has been restructured by corporate capital, a relatively small number of agrochemical corporations have grown in stature by providing the agricultural inputs upon which industrial agriculture depends. At the same time, the deregulation and globalisation of trade has led to the global production (and increasingly global consumption) of standardised processed foods and meat products. This has given a small number of very powerful food corporations (grain traders, food processors and supermarkets) the ability to scour the world, taking advantage of differences in safety and environmental regulation, labour costs etc, in their search for cheap food. As a result, the power and the profits in the global food system have shifted away from farmers to the agribusiness corporations that produce and sell inputs to farmers and the food corporations that process, package, and market food to consumers.

The industrial model of agriculture is now a global phenomenon, but with varying degrees of penetration. In developing countries low input farming methods still survive and the knowledge, skills and value to society of these traditional farming methods are gaining wider recognition and support.<sup>7</sup> In industrialised countries, a small but increasing number of conventional farmers, and new entrants to farming in particular, are producing food using alternative farming systems, which aim to be not only economically, but also socially and environmentally sustainable (see box 'Sustainable Agriculture' on page 39).



# 3

## The UK farming crisis: Which crisis do you mean?

### The UK farm income crisis

*'The public is spending the same amount on food but less and less is percolating down to the primary producer, middlemen are getting more...Unless it cascades down, it doesn't get back into the countryside'*

Mark Hill, head of Deloitte & Touche food and agriculture group

The farming crisis is in reality a series of inter-linked crises arising out of the restructuring of the food and agriculture system. At its heart is a farm income crisis: the price of agricultural produce on the global market has fallen dramatically (prices for primary commodities have fallen by 50% in the last 20 years<sup>8</sup>) and farmers around the world are often not being paid a fair price for what they produce, driving many of them out of business.

#### Falling farm incomes

Between 1990 and 1995 the value of UK agricultural output skyrocketed as the pound crashed in value (devalued in real terms), mainly as a result of the UK coming out of the European Exchange Rate Mechanism.

Farmers, however, continued to receive world market prices for their produce and the total income from UK farming rose to a high in excess of £5 billion in 1995/6.<sup>9</sup>

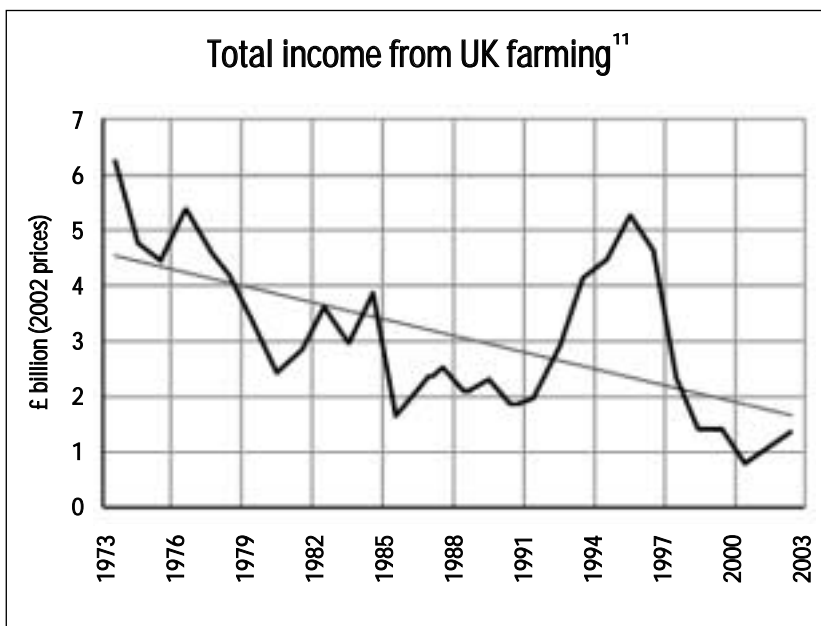
Between 1996 and 2000 the pound increased in value against the ecu/euro by approximately 33% and as a consequence farm prices and incomes fell dramatically. The total income from UK farming fell by 70% from its 1996 high to a low of £1.8 billion in 2001/2 in the year of foot and mouth. It has since recovered slightly, rising to £2.36 billion in 2002 and to £3.23 billion in 2003.<sup>10</sup>

Despite the recent recovery, the underlying pattern is of a long-term decline in farm incomes. The total income generated by agriculture has declined in real terms by around 40% over the past 30 years (see figure below).

Annual surveys by Deloitte & Touche show that the average net farm income fell dramatically from £80,000 in 1995/6 to £8,000 in 2000 and to £2,500 during 2001, the year of foot and mouth.<sup>12</sup> The average net farm income has since recovered somewhat, to £10,100 in 2001/2002, and to £12,500 in 2002/3.<sup>13</sup>

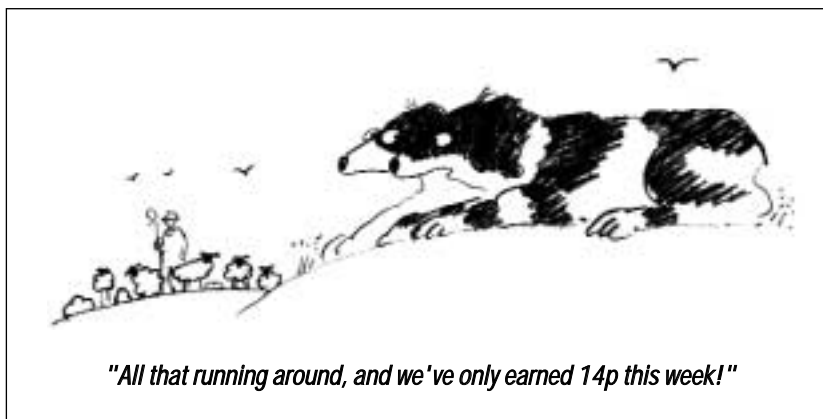
But incomes for some, predominantly small farmers, remain well below the minimum wage.<sup>14</sup> 69% of farmers are still reliant on farming as their primary source of income.<sup>15</sup> But an increasing number of farmers now work part-time off the farm, relying on this non-farm income to support their businesses.

It is a widely held belief that farmers are creaming in a fortune through European subsidies. UK farmers received almost £2.6 billion in subsidies under the Common Agricultural Policy (CAP) in 2002.<sup>16</sup>



But because subsidies are production-based (i.e. the more acres of cereals you grow or the more animals you have, the greater the subsidy), the bulk of the subsidy goes to the larger, richer farms.<sup>17</sup> It is commonly stated that within the EU 80% of farm subsidies go to 20% of farmers.

However, the majority of UK farmers (63%) receive less than £5,000 a year in farm subsidies,<sup>18</sup> and some sectors - pigs, poultry and horticulture - receive no subsidies at all (see box 'The subsidy myth').



### The subsidy myth

Many people ask why, despite receiving massive financial subsidies, farming continues to be in perpetual crisis.

Production subsidies were introduced in the UK by the 1947 Agriculture Act to persuade farmers to increase production and thus ensure national food security. Farmers received a guaranteed price for their produce and were encouraged to plough up pastures, drain wetlands and reclaim moorland and so put more land into production.

Today, subsidies to UK farmers (under the Common Agricultural Policy (CAP)) are meant not only to increase agricultural productivity but also to protect standards of living for farmers and farming communities in the EU and to bring consumers cheap food. However, the farmgate price has fallen so low that subsidies now form a substantial part of farm incomes for many farmers. This so called 'cheap food policy' is in reality a cheap farmgate price policy and it is the corporations that benefit most from these low commodity prices.

Essentially farm subsidies are corporate welfare; public funds in the form of farm subsidies are going straight into the pockets of the corporate traders, processors and retailers and most farmers are not seeing any real benefit. Even the Co-operative Society, the largest farmer in the UK, which receives about £5 million in subsidies, made an overall loss of £0.5 million in 2000.<sup>19</sup> Some farmers, of course, including the so called 'barley barons' of East Anglia, have been happily playing the system and making a great deal of money.<sup>20</sup>

Some argue that subsidies are to blame for the intensification of farming, increased production levels and low commodity prices (also see box 'Why are global agricultural prices so low?'). While subsidies help cushion farmers against low commodity prices, there is no direct relationship between subsidies and production levels. Evidence from around the world suggests that removal of subsidies and other barriers to international trade does not significantly reduce the overall amount of land in production or production levels, although the mix of crops may change.<sup>21</sup>

It seems in fact that it is low farmgate prices, regardless of whether there are any subsidies available, that encourage farmers to intensify their farming in order to increase production.<sup>22</sup> Paid less, they cram more animals into the same space, obtain more milk output from the same number of cows and more tonnes per acre. UK dairy farmers are currently under extreme price pressure with farmgate milk prices well below the cost of production. There are no direct subsidies for milk production, but farmers have still responded to the income crisis by intensifying. The most intensive sectors of agriculture in the UK: pigs, poultry and vegetable production receive no production subsidies at all. Whereas, the two most extensive farming sectors, beef and sheep, receive direct production subsidies in the form of headage payments.

Despite the lack of evidence that subsidies actually fuel increased production, attempts to reform the CAP, announced in June 2003, have focused on decoupling or breaking the link between subsidies and production. In future a single payment will be made to farmers which will be linked to compliance with environmental, food safety, animal and plant health and animal welfare standards, as well as a requirement to keep all farmland in good agricultural and environmental condition. The Government has recently decided to base the payment on land area in production rather than on historic subsidies received. Payments based on historic subsidies were favoured by the East Anglian barley barons, who have already benefited handsomely from subsidies, whereas payments based on area of land in production are supported by the Country Land and Business Association, which represents some of the biggest land owners.<sup>23</sup> Either way, the reformed CAP looks set to continue to preferentially support large farmers rather than small farmers.

Critics of the reforms also say they paper over the cracks and do not address the real issue: namely, why are farmgate prices so low that farmers, especially small and family farmers, can't make a fair living?<sup>24</sup> Without a fair price for their produce, CAP reform may slow the exodus from farming, but will not prevent it.

The bottom line is that many UK farmers don't want to rely on subsidies. What they want is a fair price for producing food.<sup>25</sup>

## The declining farm workforce: losing small and family farmers at an alarming rate

In 1939, Britain had almost half a million farms, the majority less than 40 hectares, and employed almost 15% of the population. Since then Britain has lost over a third of its farms and the agricultural workforce has been in serious long-term decline. In 2000, there were 303,000 farms in the UK and an agricultural workforce of 557,000 (farmers and farmworkers) - about 2% of the total UK workforce.<sup>26</sup> Part of the loss of labour from the land has been due to the post-war industrialisation of farming: the replacement of farm labour by machinery, the use of chemical fertilisers and synthetic pesticides etc.

However, the pace of loss of farmers and farm workers has accelerated in recent years. Some 87,000 farmers and farm workers left farming in the UK between 1993 and 2001, and a further 18,000 left farming in 2002.<sup>27</sup> There is no sign that this exodus is letting up and the government predicts that by 2005, 25% of the remaining farms in the UK will have gone out of business or merged, with a further 50,000 people forced to leave farming.<sup>28</sup>



## UK Farming at a glance...<sup>29</sup>

Number of farms - 303,000

Number of farms under  
50 hectares - 225,000

Number of people working  
in agriculture - 557,000

Average farm size - 56.6 hectares

Number of tenant farmers - 23,000  
(18% of all full-time farmers) farming  
32% of total productive land.<sup>30</sup>

6,000 landowners (mainly aristocrats, but also large institutions like the National Trust, the Church of England, the Co-op and the Crown) own about 40 million acres of the UK total of 60 million acres. i.e.

**70% of the land is owned by  
1% of the population.**<sup>31</sup>

Government statistics indicate that it is small and medium sized farms that are disappearing while the number of larger farms is increasing.<sup>32</sup> Michael Hart, chair of the Small and Family Farms Alliance says that, 'the government does not recognise the small farmer at all. They see us purely in economic terms and say you're inefficient and must intensify.'<sup>33</sup> Yet small and family farms are at least as productive as larger farms, are more efficient in their use of resources, are better for the environment and contribute more to the local economy and community than do large farms (see box 'Small farms good, big farms bad?' on page 34).

We are told by the agricultural establishment that the fact that thousands of small and family farmers are being forced off the land each year is an inevitable result of the need to increase the 'efficiency' of UK agriculture plc (See box 'The architects of UK agricultural policy' on page 15). It is implied that those who have failed are victims of their own inefficiency - their inability to compete. The 'rationalisation' of farming - the reduction in the number of farms/farmers and farmworkers and the increase in the size of holdings - is, according to the government and its advisers, the way forward for UK agriculture. They say the only way UK farmers can compete in the global marketplace is to increase their efficiency (i.e. reduce their unit costs of production) by industrialising further and by getting bigger.



## The expand or go bust treadmill

*'Farmers are just the hamsters in the wheel that powers the expanding agribusiness empire. And government's solution to the farm crisis is for the hamsters to run faster'*

Darrin Qualman, National Farmers Union (Canada) <sup>34</sup>

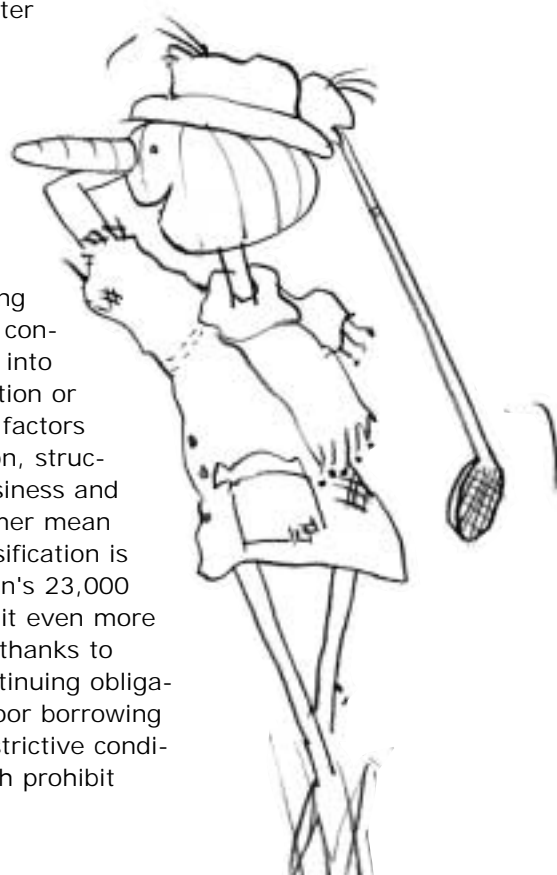
Farmers are on a treadmill created by the technology which drives intensification. As farms become more industrialised and more productive there is the market is oversupplied with food and crop prices fall. Food consumption (at least in industrialised countries) does not increase significantly when prices fall, because there is only so much food those of us who are already sufficiently well fed, can eat. Intensification is thus not driven by the 'pull' of demand for more food, but rather by the 'push' of the availability of new productivity enhancing technology, which effectively forces farmers to intensify in order to keep up. While intensifying production may make sense for an individual farmer, collectively it tends to drive prices and profits down, locking farmers into another round of cost-reducing and output-increasing technology. It is this 'cost price squeeze' - high cost of inputs, low prices for outputs - that is undermining farmers' livelihoods.

There is also a constant pressure to 'get big or get out of farming', in order to take advantage of the benefits of economies of scale and gain increased efficiency and lower production costs. But getting bigger (and more economically efficient) is not necessarily better for farmers. Studies from Canada suggest that, as farms have got larger, although farm output has dramatically increased, incomes have declined. This suggests that expansion does not actually benefit farmers.<sup>35</sup> However, large farms can tolerate lower margins more easily than small farms, so they can afford to sell their produce at lower prices if forced to do so, as they frequently are, by the big processors and supermarkets who buy from them. Even if the per unit price falls, as long as the price is above the cost of production, each unit sold adds to the profit. In the end the only real beneficiaries of the economies of scale of larger farms are the processors and supermarkets.

Agricultural borrowing in UK currently stands at an estimated all-time high of more than £10 billion.<sup>36</sup>

In order to survive in this economic climate, farmers must inject more capital into their businesses to buy more land, more machinery, more animals. In 1999, 64% of farmers borrowed money in order to keep their farms going.<sup>37</sup> Many are now saddled with enormous debts, which they have been unable to repay as farm incomes have fallen.

Faced with falling incomes, more than one quarter of farmers (27%) have been forced to diversify into activities outside food production,<sup>38</sup> including running B&B's, nursing homes, go-kart racing and tea rooms, and converting outbuildings into holiday accommodation or offices for rent. But factors such as farm location, structure of the farm business and the skills of the farmer mean that for many diversification is not an option. Britain's 23,000 tenant farmers find it even more difficult to diversify thanks to falling incomes, continuing obligations to pay rent, poor borrowing power and often restrictive conditions of tenure which prohibit change of use.<sup>39</sup>



### Overproduction

Farmers are forever being told on the one hand that they produce too much food. The word 'overproduction' is constantly on the tip of agricultural policy-makers' tongues and overproduction is regularly cited as a reason why farming needs to be 'restructured' and the number of farmers reduced even further. But on the other hand they are also frequently told to get more efficient ie produce more.

What is meant by 'overproduction'? It doesn't mean producing more food than the people in the world can eat. Large numbers of people are hungry. Even larger numbers don't eat as luxuriously as we do in wealthy countries, though given the opportunity, they would no doubt like to.

What economists mean by 'overproduction' is producing more food than the people in the world can buy. Two thirds of people do not have not enough money to afford the shopping basket we in Britain take for granted. All the evidence is that when they do become wealthy enough, then they too aspire to a rich and varied diet.

## A Rough Guide to the UK Farming Crisis

Many farmers are choosing to leave farming all together. The Countryside Agency predicts that land use will diversify with less and less food production and says that by 2020 the idea that the countryside equals farming may be well and truly buried.<sup>40</sup>

It is true that some farmers own land at a time when land values are sky-rocketing. But this land wealth is largely irrelevant as it can often only be realised by the sale of the property and the consequent loss of livelihood.

The value of the land also has no bearing on the price the farmer gets for the crops. With land prices so high in the UK, there are very few new entrants to farming. As farmers sell up, the land frequently goes out of production and may be bought up for commuter homes or by property developers, for executive housing, business units and golf courses. According to the Royal Institute of Chartered Surveyors half of all farms sold in England go to city people who want a house in the countryside and who do not intend to farm the land.<sup>41</sup> The accompanying farmland is frequently sold off to a neighbouring farmer who wants to increase the size of their holding, thus continuing the trend towards the concentration of UK land ownership into ever fewer hands (see box 'UK farming at a glance')

According to a survey carried out in 2000, 20% of farmers were worried about their futures and did not know what other work they could do, while 7% felt that farming had no future.<sup>42</sup> The impact of gruelling hours (66% of farmers in Britain regularly work over 60 hours a week)<sup>43</sup> and the effect of uncertainties about the future on both farmers' health and the quality of their family's lives are significant. Suicides among farmers currently stand at 59 per year, more than one a week.<sup>44</sup> Whereas 20 years ago farming was a multi-generational business, the average age of UK farmers is currently 59. Not surprisingly, the majority of farmers' children do not want to take over the family farm when their parents retire.

The farm income crisis impacts most heavily on small and family farmers who have very little to cushion themselves against low prices. These farms are now in serious decline. Some small and family farms will survive by adding value; organic farming, processing milk to make cheese, growing herbs for medicinal use etc. But if the trend continues we can expect to see the demise of the majority of small family farms with much of the land that continues to be farmed in the future owned by absentee landlords - insurance companies, pension funds and big farming businesses - and managed by contract farming companies such as Farmcare, Velcourt, Sentry Farming and Booker Agriculture, with nothing but profit in mind. See section 'Contract farming in the US - hired hands on their own land' on page 29 for another possible scenario for UK farming in the future.

### Comparison of cost of production and farmgate price<sup>46</sup>

	Cost of production	Farmgate price
<b>Milk</b>	18-21 pence per litre	18.5 pence per litre
<b>Pork</b>	95p per kg	84p per kg
<b>Bread wheat</b>	£95 per tonne	£115 per tonne including subsidy
<b>Eggs</b>	45.3p per dozen	27p per dozen
<b>Potatoes</b>	£77 per tonne	£50-60 per tonne

### Producing more but earning less

Farmers are stuck in a cycle of producing more, but earning less. A survey in 1999 found that UK farmers were earning almost nothing from what they produce. For virtually every commodity in the survey, the farmgate price - the price farmers were paid for their produce - was less than the cost of production.<sup>45</sup>

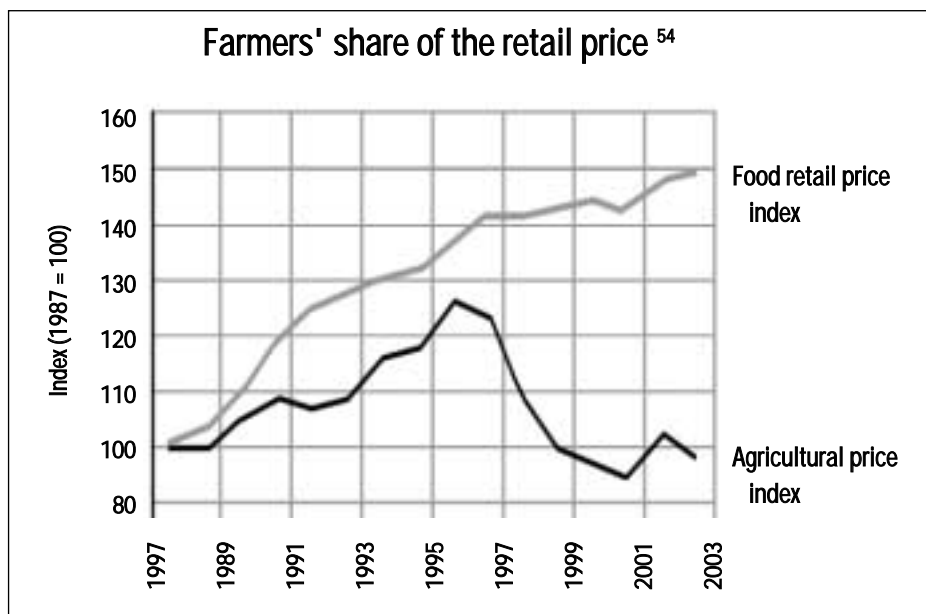
This trend continues and figures for 2002 for milk and bread wheat show that farmers are still getting paid less than the cost of production.<sup>46</sup>

UK dairy farmers are facing particularly hard times due to the unprofitability caused by the fall in farm-gate prices relative to production costs. The farmgate milk price has fallen by over 30% since 1995.<sup>47</sup> In 2002, dairy farmers received an average of 17 pence per litre (ppl) compared to production costs of 18-21ppl.<sup>48 & 49</sup> The majority of farmers are making no profit on the production of milk and some are making considerable losses. As a consequence UK dairy farming is undergoing a massive restructuring. Between 1970 and 2000 the number of dairy farms fell by over 70%.<sup>50</sup> Many of the farmers who have managed to stay afloat have done so by industrialising and intensifying further.

There is a similar story for arable farmers producing bread wheat. UK wheat farmers receive just 4.8p from the sale of the average loaf of white bread (800g) costing 55p. Arable farmers' incomes crashed by 57% between 2000 and 2002. For the average UK cereal farmer working 100-200 hectares the cost of production in 2002 was £119 per tonne, yet the farmgate price was only £72.50 per tonne. Despite receiving an arable area payment (subsidy) of £31 per tonne, many wheat farmers are unable to cover the cost of production, let alone make a profit.<sup>51</sup>

### Are these low prices being passed on to consumers?

It might be reasonable to assume that as farmgate prices fall these would translate into lower retail prices, but according to the National Farmers Union there is no evidence that these falling prices are being passed on to consumers at the supermarket checkout.<sup>52</sup> The price paid to farmers and the price paid by consumers have become disconnected; in 1998 a slump in lamb prices at livestock markets was not translated into a reduction in supermarket prices and again in 2001 a slump in milk prices did not reduce the retail price.<sup>53</sup>



The farm-to-retail price spread (the difference between what farmers are paid for the food they produce and what consumers pay for food after processing and marketing) is widening. From 1991/2 the food retail price index rose by 15% while the price received by farmers fell by 9.6% (see figure 'Farmers' share of the retail price').

Like farmers, consumers are experiencing the economic impact of the near monopolistic control of the food system by the big food corporations. This control has weakened the link between farmgate prices and food prices, so that food prices are increasing even as the prices paid to farmers are falling. The gains from lower farmgate prices are being captured by the big food processors and supermarkets, not by farmers or by consumers (also see section 'Corporate Control of the Food System' on page 26).

### Supermarket profiteering?

According to Michael Hart, chair of the Small and Family Farms Alliance the increasing gap between farmgate and retail prices is, in some cases, due to 'clear profiteering'.

In 1991 the farmgate price of potatoes was 9p per kg and the retail price was 30p; in 2000 the farmgate price was still 9p per kg but the retail price had increased to 47p per kg; a price increase of 57%. The farmgate price for cauliflowers was 24p in both 1990 and 2000 but the retail price rose from 73p in 1990 to 98p in 2000, a price increase of 35%. These products require no processing other than grading and packing, both of which are done by the farmer. Michael Hart says that the difference between farmgate and retail prices and the increase in the farmgate to retail price differential is due to the supermarkets' excessive profit margins at the expense of farmers.<sup>55</sup>

## The web of interlinked crises

*'The low farmgate prices being paid to farmers by supermarkets are destroying any chance we have of a sustainable farming system in Britain. Without profitable farming, the environment, landscape and rural communities suffer.'*

Michael Hart, chair of the Small and Family Farms Alliance <sup>56</sup>

All industrial sectors sometimes face recession and many decent and hard working people go bankrupt every day. Farming is viewed by many economists like any other industry sector: as a set of resources - land, labour, capital and management - to be made ever more ruthlessly efficient. But farming is much more than this. It does more than just produce food, fibre and oil. As well as having important social, political, cultural and historical dimensions, the health or otherwise of the farming industry has a profound impact on local, national and global economies and ecosystems. This 'multifunctionality' is highlighted by the web of inter-linked crises that make up the farming crisis.

### The rural communities' crisis

Farmers and farmworkers are the economic lynch-pins of their communities. As farms have disappeared and as those that remain have grown larger, farming is contributing less and less to the local community. Compared with smaller farms, large farms contribute less to the economic well being of the community because they tend to go outside the community to buy inputs and

to sell their produce. Rural communities are losing their viability. There has been a dramatic decline in essential services in rural areas. Fewer than 12,000 rural shops are now left in Britain and at the current rate a further 300 are set to close each year.<sup>57</sup> Wholesalers, the lifeblood of small local shops, are closing at an ever increasing pace, while new registrations of small scale food manufacturers have fallen by 12 per cent.



Eight hundred communities in Britain have no bank left, and over a thousand have only one. In the decade to 2002, Britain lost one third of its bank network.<sup>58</sup> The post office network has contracted by 10% in the past 10 years, with rural areas particularly hard hit. In the first three quarters of 2000, 434 sub post offices (most of which were in rural areas) closed.<sup>59</sup> The local pub is also under threat with six village locals closing every week.<sup>60</sup>

The biggest recent blow to the rural economy came in 2001 with foot and mouth disease literally closing the countryside down, with huge economic cost not only to farming but also to tourism and other parts of the rural economy. The foot and mouth crisis has demonstrated the vulnerability of already fragile rural economies as struggling shops, pubs left without customers and small businesses servicing the agricultural community have been forced to close.

Rural areas are also being sapped of their young people. While the population of rural England (currently 28% of England's population) is growing three times faster than of urban areas,<sup>61</sup> it is retired people and better off families with private cars that are moving in, drawn by the perception that the countryside provides a better quality of life. At the same time there is an exodus of young people and those on lower incomes from the rural community because of the lack of affordable housing and jobs in the countryside.<sup>62</sup>

### The ecological crisis

According to the World Resources Institute, modern industrial agriculture has without a doubt resulted in higher yields.<sup>63</sup> But at what environmental cost? The intensification of production, brought about through the development and use of synthetic chemicals, mechanised farm machinery and high yielding hybrid seeds, has devastated the soil, water resources and farmland ecology, causing irreparable damage to agricultural land and raising concerns about long term ecological sustainability and loss of wild biodiversity.<sup>64</sup>

Intensive agriculture appears to have made it possible for us to eat more food more cheaply. But the environmental and social costs accompanying these agricultural methods have not been factored into the price at the supermarket checkout.

## Chapter 3: The UK farming crisis: Which crisis do you mean?

Instead these hidden costs are paid through taxes: to clean up the environment, to remedy health problems and to compensate farmers for livestock diseases like BSE and foot and mouth.

Jules Pretty of the University of Essex has estimated that in 1996 the 'hidden' or external costs of industrial farming in the UK amounted to £2.34 billion.<sup>65</sup> Intensive agriculture, in effect, receives a hidden subsidy of £208 per hectare for its polluting behaviour and damage to the environment and to human health, so there is little incentive for farmers to clean up their act. In contrast organic farming costs the taxpayer considerably less, about £88 per hectare.<sup>66</sup> The Environment Agency has also looked at the externalities of industrial agriculture and came up with the figure of £1.5 billion excluding the costs of damage to biodiversity, landscapes and human health.<sup>67</sup>

And these are merely the losses we can put a figure on. As Jules Pretty says, how can we calculate the cost of the loss of a skylark singing on a summer's day or a wild-flower meadow?

In association with the intensification of food production a sophisticated food distribution system has developed which is totally reliant on fossil fuels. The global transportation of food and the 'just in time' national distribution networks of the major supermarkets, in which lorries circle the M25 waiting to rush produce to stores as and when needed, have developed because the stores do not pay the real costs of long distance trade. Food distribution accounts for up to 40 per cent of all UK road freight.<sup>69</sup> In 2000, lorries transported 354 million tonnes of food, animal feed and drink over a total distance of 4,437 million kilometres, an increase of about one third over 10 years ago.<sup>70</sup>

This long distance transportation of food causes air pollution, excess packaging, encourages road building and maintenance, depletes the finite resource of fossil fuel and leads to carbon dioxide emissions which contribute to climate change. Despite air freight causing even more environmental damage than road transport, there is no tax on aviation fuel. This failure to tax aviation fuel is one of the key reasons why the global transportation of food is so cheap.

### Total external costs of UK industrial agriculture, 1996 <sup>68</sup>

	Emillions
Cleaning up drinking water	231
Damage to wildlife, habitats, hedgerows and drystone walls	124
Emissions of gases	1,113
Soil erosion and organic carbon losses	96
Food poisoning	169
BSE	607
<b>Total</b>	<b>£2.34 billion</b>

Powerful lobbying by corporations wanting access to markets also means that they receive huge taxpayer funded subsidies for the development of transport infrastructure (road building and maintenance, airports etc). As with the costs of industrial farming the taxpayer picks up the hidden environmental and social costs of the long distance transportation of food.



*"The good news is that you've got food from five continents  
and your temperature is due to global warming"*

## The public health crisis

*'It is not the role of manufacturing industry to improve the health of the general public or to shoulder the responsibility of ensuring that people live longer, or lead healthier lives'*

Tim Fortesque, Secretary General of the Food and Drinks Industries Council UK <sup>71</sup>

For centuries, undernourishment and unsafe water were widespread across Europe. The nineteenth century saw the potato famine in Ireland and was riddled with scares about contaminated food. The twentieth century, through a combination of the industrialisation of agriculture and changing lifestyles resulting from increased incomes, has banished earlier fears of malnutrition and poor sanitation but has exposed consumers to a whole different range of public health and food safety risks.



*"They should do something about the long bits in between"*

These concerns range from the use of antibiotics in factory farming to the processing of food with unhealthy levels of salt, sugar and fats and the addition of food additives and preservatives; from high levels of pesticides with carcinogenic or hormone disrupting properties, to the loss of natural flavour and nutritional quality; from uncertainty about the health and environmental risks of genetically engineered crops, to the emergence of new variant Creutzfeldt-Jacob Disease and concerns about the looming obesity crisis.

Food is now plentiful in the developed world but even people who overindulge can only eat so much. This oversupply has created a highly competitive food industry that encourages over-consumption of processed foods and is highly detrimental to public health. The food industry makes proportionately more money from selling processed foods than from more traditional products and two thirds of new food product developments are high in sugar, fats and salt. Consumers frequently can't get accurate, unbiased information about these food products; they instead get disinformation in the form of corporate advertising. The food industry spends enormous amounts of money on advertising in order to shape people's tastes and food preferences. It does everything it can to persuade people to eat more and it preferentially promotes mass-produced processed foods; 70% of the \$33 billion annual food advertising budget is used to promote soft drinks, sweets and snacks, while only 2.2% is spent on fruit, vegetables, beans and pulses.<sup>72</sup>

There is now an epidemic of chronic diseases - obesity, diabetes, cardiovascular disease and some cancers - associated with the over-consumption of products high in fats, salt, sugar and refined carbohydrates, and low in fibre. The cost to the UK economy of cardiovascular disease is estimated to be £10 billion a year (including both the costs to the health service and the costs of lost productivity).<sup>73</sup> It is estimated that the obesity crisis (a combination of poor diet and lack of physical activity) could cost the health service £3.6 billion a year by the end of the decade.<sup>74</sup>

### The food security crisis

The projected decline of the UK farming sector and the loss of people with the skills and knowledge to farm our countryside is putting the long-term sustainability and security of UK food production at risk. The post-war policy of maintaining food security through growing most of our food within the UK is being abandoned in favour of the idea that food security can be achieved through free trade and purchase of food on the world market. UK farmers currently supply about 62 per cent of our food needs.<sup>75</sup> But the mind-set of the Government and its policy advisers, appears to be that we can abandon much of our food production in the UK, leaving only a few vast agribusinesses to compete on world markets, plus a scattering of small, niche producers.

Some have argued that there is no need to worry about the decline of farming in the UK, that we should instead conserve the countryside for wildlife, leisure and tourism, essentially turning the UK into a theme park. But the rural landscape of the UK is very largely a farmed landscape, created by 5,000 years of agriculture. Hay meadows, pastures and other features of the farmed landscape which have their own special ecology would be lost if the land was no longer farmed.

Where would our food come from otherwise? The only reason the UK can contemplate a shift away from production-oriented agriculture to environmental and amenity land management is because we can buy produce from the other side of the world more cheaply than we can produce it here. More than likely this produce comes from high-input, environmentally-degrading farming in developing countries where vast tracts of land have been given over to producing food, and in particular animal feed, for export to satisfy the needs of industrialised countries. Brazil, for example, has become a major supplier of soya beans for European animal feed, but to do this it has cut down a quarter of its Cerrada plateau forest (approx. 5 million hectares), causing immeasurable environmental damage. It has been estimated that the UK exploits two 'ghost hectares' abroad for every hectare farmed in the UK.<sup>76</sup>

We are able to support our food needs and protect our environment because we are happy to buy commodities that destroy other people's environments, utilise their resources and jeopardise their food security in what Simon Fairlie of the Land is Ours has called 'an objectionable neo-colonialist approach' to global resource use.<sup>77</sup>

And what happens when developing countries become rich enough to afford luxury foods and want to protect their environment? Where will we get our cheap food from then? A more democratic approach to agriculture and the food supply is the idea of 'food sovereignty' or 'food democracy' which emphasises the right of all communities to protect and regulate domestic food production and trade to achieve sustainability, guarantee a livelihood for farmers and ensure that people are fed (see section 'Rebalancing Power in the Food System: Some Ideas' on page 33).

### The global context: an even greater farming crisis in the developing world

The farming crisis is not just affecting farmers in the UK, it is a global crisis and plummeting world prices have affected all farmers. But the impact on small farmers in developing countries has been proportionately greater. Three quarters of the world's poorest people (almost one billion people) live in rural areas and most rely on agricultural production for their livelihoods.<sup>78</sup> As the global food system restructures, a combination of dumping of cheap imports and the drive towards export-led production (rather than food for local consumption) has undermined the livelihoods of small farmers and compromised food security. This is driving literally millions of farming families off the land and into cities in search of work (see section 'Trade liberalisation: on balance good or bad for the developing world?' on page 21 for more discussion)

# 4 Casting the blame for the UK farming crisis

Conventional thinking has obscured the real causes of the farming crisis by casting the blame in many different directions:<sup>79</sup>

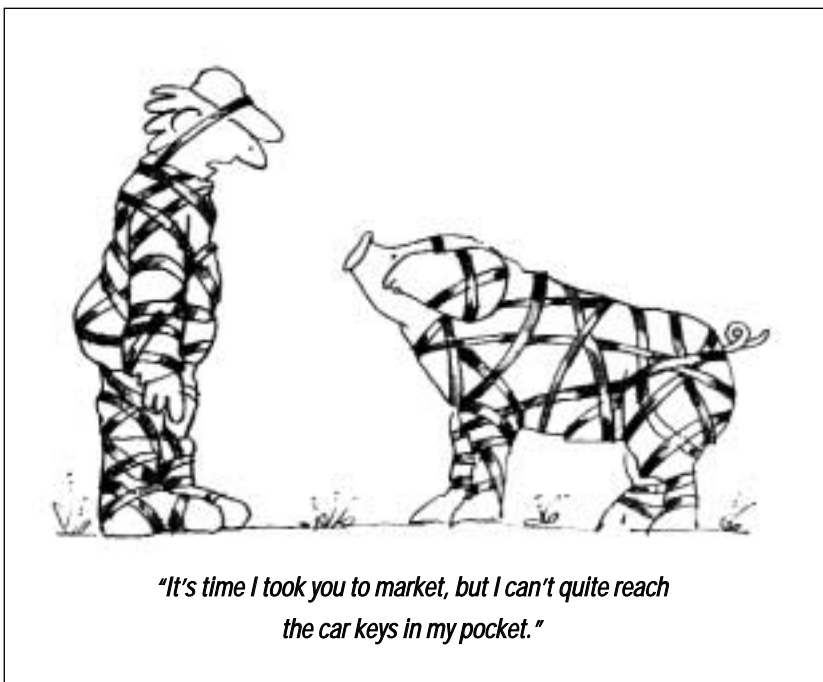
- British farmers are too stuck in their ways to respond quickly and dynamically to market signals (see 'The Architects of UK Agricultural Policy' on page 15);
- Agricultural subsidies have led to overproduction and low farmgate prices;
- The collapse in world commodity prices due to a glut of food on the global market has pushed the price paid to UK producers down;
- The middlemen: grain merchants, processors and retailers are all taking an excessive cut of the profit in the food system;
- The high value of the pound against other currencies encourages supermarkets to source food abroad rather than buy home grown produce and also makes it difficult for UK farmers to export;
- The high value of the pound against the Euro has meant that EU subsidies paid in Euros are worth less to UK farmers than to their counterparts in Europe. If the UK was to join the EU single currency this would make UK produce cheaper on the world market thereby increasing exports;

- The financial collapse of the Russian and Asian markets has reduced UK exports to those regions;
- BSE and the subsequent ban on export of British beef has damaged the beef export industry;
- Too much red tape: excessive rules and regulations such as meat and dairy hygiene regulations require the purchase of new equipment and the implementation of costly procedures making UK produce less competitive;
- The 'Foot and Mouth' crisis closed export markets and led to huge extra costs to farmers because of movement restrictions;
- Higher environmental, labour and animal welfare standards mean UK goods cost more to produce. For example, a UK ban on tethering sows means that it is cheaper to import pigmeat from Europe where animal welfare standards are lower;
- Recessions in the agricultural sector are cyclical. This traditional model of agricultural economics argues that prices continuously fluctuate due to oversupply, under-supply and the uncertainty of the weather.

This farming crisis is however more than just a cyclical downturn that will pick up, in fact it already has, with a slight recovery in farm incomes in 2002/2003. But overall farming remains in steady decline and it will be terminal for most if effective measures to address the fundamental causes of the crisis are not taken now.

Many of the issues above are certainly contributory factors; but lost export markets, the strong pound and excessive red tape are not the real causes of the farming crisis, they are simply UK-specific factors which have exacerbated the underlying global crisis in farming. In fact, the restructuring of agricultural markets is at the root of the farming crisis.

This restructuring of the food system is taking place through a combination of three processes: globalisation, liberalisation of the trade in food and the concentration of power in this restructured market into the hands of a small number of multinational food corporations.





## The architects of UK agriculture policy

The UK Government and its advisors are wedded to the idea of the creation of a global free market in agricultural produce; some are ideological free marketeers, some see trade liberalisation as an inevitability that the UK cannot oppose and others support trade liberalisation as a route to increasing their market share and corporate profits.

### Sean Rickard

- former chief economist at the National Farmer's Union, currently lecturer at Cranfield School of Management and advisor to New Labour on agriculture policy is an ideological free marketeer. He advocates getting rid of 'trade distorting' subsidies and argues that only large farms are economically viable as only they, through economies of scale, can lower production costs and thus the relative price of food.<sup>80</sup> Rickard argues that agriculture is first and foremost a food-producing industry, it so happens that its 'shop floor' is the countryside, but this should not distract from its key function.<sup>81</sup>

*'There is a band of small full-time farmers producing 15% of the [country's] output. These are under pressure and do not have the economies of scale. There is nothing that can or should be done to save them. The top 20% with 80% of the output are in a different league, and can compete with the best in the world. They have the makings of a successful food industry.'*<sup>82</sup>

Rickard's view is that many of these small farmers are 'not good farmers or good businessmen' - otherwise they would have increased the size of their businesses - and that handing out subsidies to these 'unviable' farms will only serve to prolong the crisis. *'Ultimately, supporting these farmers only delays the inevitable for a year or for two years..... We simply have too many farmers, and too many farmers who are not doing a good job, at that.'*<sup>83</sup>

*'The only way ahead is to scrap subsidies, make full use of technology such as GM crops, ignore the nonsense about paying farmers to look after the countryside and get farmers to produce what the market wants.'*

*Good luck to the 113,000 lifestyle holdings, better luck to the 63,000 large scale holdings and hard luck to the 63,500 small time farmers who are on their way out in the next few years.'*<sup>84</sup>

One of the criticisms levelled against farming by neo-liberal economists such as Sean Rickard is that farmers are not responsive enough to market signals.

By this they mean that when they see the demand for their product declining, they should simply switch to a product for which there is high demand - just like a factory. But farming doesn't work like that. Not all land is equally suited to all types of farming, especially hill farms. Switching production may well require new farm machinery and buildings which many farmers are justifiably reluctant to borrow money to purchase given the volatility of the market. Farmers are on a yearly cycle and cannot simply change production, especially if they are rotating their crops to benefit the soil. Also, farming is one of the most highly skilled professions: a lifetime's experience in animal husbandry does not necessarily make you a good horticulturalist.

### Lord Chris Haskins

- former head of giant UK food processor Northern Foods plc, long-time donor and supporter of New Labour, close ally of Tony Blair and Labour-appointed peer. Haskins has advised both the UK and Irish Governments on agricultural policy issues. In 2001 he was appointed the Government's Rural Recovery Coordinator (to oversee the government's rural rescue attempt following the foot and mouth crisis).

Haskins is an advocate of trade liberalisation and sees larger more industrialised farms as a necessity for the UK to compete in global export markets with the much larger farms of the US and Canada. This might help the giant food processors like Northern Foods and the supermarkets to source food even more cheaply. But the changes he advocates are likely to be disastrous for everyone else.

Of his appointment as rural recovery coordinator, Guardian City diarist Richard Adams said *'...a decision to place Haskins in charge of a "rural recovery plan" is akin to asking Lady Thatcher to head a task force on the future of the coal industry.'*

*Lord H has already made it clear what he wants: mergers of dairy companies and bigger, industrialised farms, geared up to provide the bigger food manufacturers with everything on a plate.'*<sup>85</sup>

On the future of farming, Haskins himself puts it like this *'Farms will get bigger and that's a good thing. A lot of agricultural reformers, like the Prince of Wales, want farmers to stand around being subsidised and making thatched roofs. Well that's for the birds.'*

*Agriculture has got to strive to be more competitive and more productive.'*<sup>86</sup> He has also predicted *'that as many as half of Britain's farms would disappear in the next 20 years.'*<sup>87</sup>

As to the demise of small farmers, he suggests that they will not survive unless they are prepared to *'innovate and diversify'*<sup>88</sup> He has for example suggested that small farmers should take second jobs to survive, *'milking their cows in the morning, working on a BMW assembly line during the day, then milking their cows in the evening'* and that British farmers *'molly-coddled'* by European subsidies could learn a thing or two about innovation in farming from the French.<sup>89</sup>

For more information see the Corporate Watch profile of Northern Foods plc.<sup>90</sup>

### Lord Larry Whitty

- Food and Farming Minister. Whitty says that the government does not believe that Britain should be self-sufficient in food. He, and the UK government, appear to accept trade liberalisation as 'inevitable' and to believe that Common Agriculture Policy reform and World Trade Organisation agreements will continue to push UK farmers onto the global free market. Whitty says Britain is part of the global economy and UK farmers must compete on the world market. He believes that British farmers could tackle imports and compete for exports if producers became more competitive (i.e. if there were an overall reduction in the number of farmers, leaving some larger and more industrialised farms with a few organic farms to serve a niche market). Whitty says that *'A [self sufficiency] target is not what drives policy. Being competitive is what drives policy.'*<sup>91</sup>

*continued...*

### ***The architects of UK agriculture policy, continued:***

#### **Sir Donald Curry**

- **Chair of the Policy Commission on the Future of Farming and Food.**

The 'Curry Commission' was set up by the Government in 2001 to look at the future of farming in England.<sup>92</sup> But the Commission was severely hampered in its enquiry. It was not allowed to question the government's commitment to trade liberalisation, so it could not investigate the role of the globalised free market and the market power of big corporations in controlling the prices paid to farmers.

The Report appears to make all the right noises. Its laudable vision for the future of agriculture is of *'a profitable and sustainable farming and food sector, that can and does compete internationally, that is a good steward of the environment, and provides food and a healthy diet for the people of England and around the world.'*

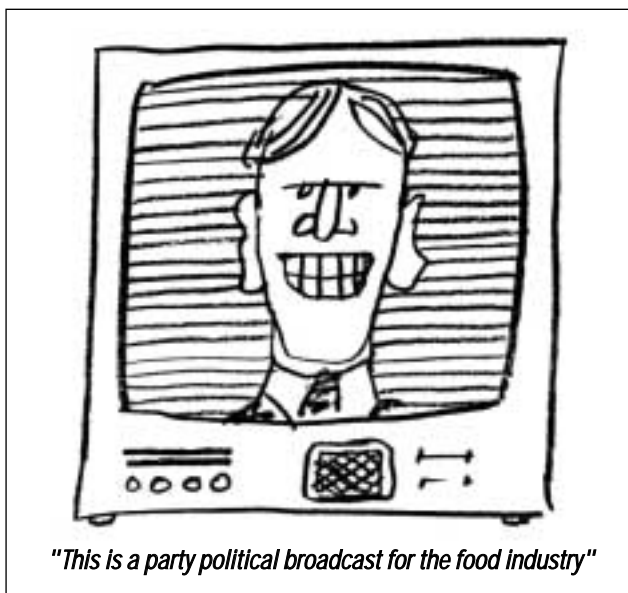
It makes over a hundred recommendations for a 'sustainable future for farming'; it wants progressively to do away with subsidies, which it says cause 'distortions', and it enthusiastically backs local foods, organic farming, farmers' cooperatives, healthy eating and adding value on the farm.

Although the Government has found the money to implement the recommendations, it is arguable whether the report will have any real impact on the farming crisis, as in reality without tackling the power of the food corporations no amount of value adding or niche-marketing alone will enable UK farmers to stand up to the pressures of the global market. As Sir Don himself said in response to a threatened price war between the supermarkets, he is *'deeply concerned'* that prices were being cut on the high street *'without serious thought being given to the impact on the supply chain.'* He said there was no more slack for farmers to take up, *'The pips are really squeaking.'*<sup>93</sup>

#### **Sir Terry Leahy**

- **Chief Executive of Tesco Stores plc.**

Tesco is the largest UK supermarket and the biggest buyer of UK agricultural produce, but despite its claims to bend over backwards to support UK agriculture, Tesco is no friend to the UK farmer. In search of produce at the cheapest possible price, Tesco buyers take advantage of globalisation and trade liberalisation to shop around the world for produce. They play farmers around the world off against each other, generally to the detriment of UK farmers who often cannot compete with produce from overseas. Even when Tesco is buying UK produce its market power is so great that it can force prices down, frequently below the cost of production, and make farmers comply with unreasonable quality standards and contractual conditions (see 'The Power of the UK Supermarkets').



In its defence, Tesco, somewhat disingenuously, argues that it has no control in the market place and that farmgate prices are low because of free trade policies. Tesco says it cannot set prices because it buys from processors not directly from farmers (which is not the case with fresh produce), it therefore pays the market price and has no power to set prices (see 'The Power of the UK Supermarkets'). It also argues that the price paid by retailers is not the most important issue, rather UK farmers are suffering from the high rate of exchange of the pound, which reduces the value of EU subsidies.<sup>94</sup>

While this is true, big retailers like Tesco have been able to take advantage of subsidies to force down the prices they pay to farmers knowing that farmers' incomes will be topped up by government subsidies. (see box 'The subsidy myth') Tesco is well placed to influence Government food and agriculture policy via the 'revolving door' of ex-government employees joining Tesco and appointments of Tesco executives to government advisory groups and also through support for and contributions to New Labour.

Terry Leahy sits on the Government's Competitiveness Advisory Group, the Department of Trade and Industry's Competitiveness Working Party and the South East Regional Competitiveness Working Party. The company's corporate affairs director Lucy Neville-Rolfe joined Tesco from the Cabinet Office and now sits on the Foreign and Commonwealth Office's Management Board. The Prime Minister's former private secretary became Tesco's director of government affairs. Tesco is a donor to New Labour and is the biggest backer of the government's New Deal scheme. Tesco also gave £12 million towards the cost of the Millenium Dome. Tesco is bound to have the Government's ear given that £1 in every £4 spent on groceries goes into Tesco's till.

For further information see the Corporate Watch profile of Tesco.<sup>95</sup>

#### **Sir Ben Gill**

- **Former President of the National Farmers Union.**

The NFU's analysis of the causes of the farming crisis has cast the blame in many different directions - excessive red tape, the high value of the pound and the BSE/foot and mouth crises' impacts on UK export markets - but has failed to acknowledge that the real cause of the farming crisis is the restructuring of the food system by global free trade and the rise in the power of the big food corporations.<sup>96</sup>

However there are signs of a changing view and at the Royal Show in June 2003, Ben Gill said *'Farmers are having to fight in an increasingly cut-throat marketplace, dealing with the might of major international companies... At the moment there is a glaring imbalance in the global food chain at the expense of farmers.'* (See also Corporate Watch's profile of the NFU.<sup>97</sup>)

# The Global Trade in Food

# 5

*'Apples from New Zealand displace French apples in the markets of Paris. European dairy products destroy local production in milk rich Mongolia and Dutch butter costs less than Kenyan butter in the shops of Nairobi. Even a child might ask 'Why must food be transported thousands of miles when it can be produced right here?' This is not efficiency but economics gone mad'*

Richard Douthwaite, author of *Short Circuit: Strengthening Local Economies for Security in an Unstable World* <sup>98</sup>

There has been a global trade in food for millennia - what is new today is its pace, scale and who controls it.

During the Roman Empire, wine, grains, salted meat and fish were imported into the UK; the spice trade between Asia and Europe flourished between the fifteenth and seventeenth century and the wealth of the British colonial era was built on global trading in sugar, coffee, tea and salt. In more recent times, there has been a massive growth in the global trade in food, with a three-fold increase between 1965 and 1998.<sup>99</sup>

This growth has been supported by technological changes such as the industrialisation of agriculture, refrigeration and new processing technologies together with cheap air transport and the emergence of powerful multinational food corporations. It has been encouraged by the rise of free market economics and international trade agreements like the GATT/World Trade Organisation's Agreement on Agriculture (AoA) and the European Union's single market policy and by institutions which have liberalised and regulate global trade.

## Why are global agricultural prices so low?

The continuing growth in productivity levels of modern industrial agriculture outstrips the slower growth in the global demand for food and has created an oversupply of food on the global market and low commodity prices. This global oversupply has been encouraged by the current trend towards unregulated free markets. International trade agreements and structural adjustment programmes focus on trade liberalisation. They encourage the production of food for export markets (as with coffee in Vietnam, see box 'Wake up and smell the coffee' ) and the abandonment of supply management tools such as commodity boards and international production agreements (such as the International Coffee Agreement) which have been used in the past to regulate food supply and prices.

The US, with its highly industrialised agriculture sector, produces far more food than its citizens can consume. US agricultural policy has, since the Second World War, aggressively focused on finding export markets for these surplus agricultural products, making it the world's biggest exporter of food.

If the world market is flooded with low priced US agricultural produce, this causes not only prices on global commodity markets to fall, but prices in national, regional and local markets around the globe as well. Conventional economic theory says that markets are self-correcting, if demand increases prices rise, more is produced and prices fall again. But according to Daryll Ray of the University of Tennessee, agricultural markets do not seem to self-correct in this way. On the supply side, when prices are low, production does not decline significantly, farmland stays in production (although some farmers disappear from the land) and production increases. Farmers facing lower incomes employ more intensive farming practices to increase output and compensate for lower prices.<sup>100</sup>

On the demand side, while consumers in poor countries tend to be more responsive to price, food demand in all countries is relatively inelastic and low prices do not increase demand for food sufficiently to rebalance the agricultural price.

According to Ray, the aim of current US agricultural policy is to drive prices as low as they need to go on the world market in order for the US (or rather its corporations) to out-compete other producers, so that it can capture an increasing share of the world market.<sup>101</sup> Although US farmers (and those in Europe) are cushioned to some extent by subsidies, which compensate for low global commodity prices, many are still in crisis. The main beneficiaries of low commodity prices (and subsidies) are agribusiness corporations, like global grain trader Cargill, who have been able to buy commodities, especially grains, at below the cost of production helping them to consolidate their control over the entire food chain (see section 'vertical integration and food chain clusters').

Many critics of US agriculture policy argue that eliminating US (and European) subsidies will improve world commodity prices. However, according to Ray, eliminating US subsidies will not be enough as this will not reduce production levels in a timely fashion or result in substantially higher prices for farmers. He instead argues that supply management is the best way of controlling production levels and farm prices (see section on 'Supply management' on page 36).<sup>102</sup>

## Trade liberalisation: the economic principles

The argument for the liberalisation of trade (the removal or reduction of barriers to international trade in goods and services) starts from the premise that the market works best by when competition is least regulated.

In this unregulated market, the collective outcome of millions of self-interested (greedy?) transactions between buyers and sellers is supposed to result in the greatest good for society.

Free trade theory goes on to argue that each country should produce the thing that it makes or does best - the idea of comparative advantage over other producers by virtue of climate, natural resources, lower wages, proximity to markets etc. The argument is that specialisation will increase efficiency, more can be produced and from the profits generated the other things a country is less suited to produce can be imported. So for developing countries this means producing tropical crops (mangoes, bananas, coffee etc) that can't be produced in the developed world and then using the earned income to buy food staples (wheat, rice or maize) from other countries, both developed and developing, that can produce them more cheaply.

## A brief history of global trade agreements

The General Agreement on Tariffs and Trade (GATT), a global system of trade rules based on free trade principles, originated in 1947 in an attempt to counter the protectionism of the Great Depression of the 1920s and 30s. Food and agriculture were excluded from the GATT until 1986, when the Uruguay Round of trade negotiations was launched. The Uruguay Round was completed in 1993 and brought the World Trade Organisation (WTO), a global regulatory body, and the Agreement on Agriculture (AoA) into being.

The underlying philosophy of the AoA is the 'right to export'. The AoA aims to create a market-oriented agricultural trading system through the liberalisation of the trade in agricultural produce, primarily by removing or reducing tariffs on food imports and also reducing other barriers to trade such as production and export subsidies. The AoA was designed by the US and EU (the two largest exporters) under pressure from other major food exporting countries (Argentina, Australia and Canada) and from US corporations.

Developing countries were only brought in at the last minute and the agreement has a clear bias towards the interests of powerful developed world governments and agribusiness corporations and rather than the interests of small farmers or the creation of global food security. The latest round of WTO talks (September 2003 in Cancun, Mexico) failed when an alliance of developing country governments walked out after who refusing to be bullied by the US and EU.<sup>103</sup>

An underlying problem with the GATT/WTO conceptual framework is the fiction that trade takes place between countries. Multinational corporations in the food sector, rather than national governments, drive agricultural economics.



As the agriculture sector has become globalised, countries (like the US and Brazil) do not compete for a share in the world soya bean market, rather they compete for investment by a global grain trader such as Cargill. Trade rules focus almost exclusively on government intervention in markets (subsidies, tariff barriers etc) on the false assumption that governments create the only distortion in world agricultural markets. But the entities primarily involved in global agricultural trade, the multinational food corporations, are not controlled in any way by these trade agreements.<sup>104</sup>

### Who really benefits from trade liberalisation?

*'So who was benefiting from the great promise of globalisation? Certainly not the average worker or consumer or farmer. So who? Those who controlled goods and services, production, distribution and sales; the multinational corporations. Free trade has long been their dream and with GATT, NAFTA and the WTO they are slowly gaining control of all goods and services worldwide.... The economies of the world are collapsing in the interest of corporate profit that benefits the very few.'*

James Goodwin, Wisconsin dairy farmer

### Developing countries?

One of the most common arguments in support of increased trade liberalisation is that it will bring access to rich-country markets, and therefore accelerate economic growth in developing countries. But all the indicators suggest the exact opposite.<sup>105</sup> The supposed benefits of trade liberalisation, such as an increased share of export markets, have not been realised and market shares of world agricultural exports have remained fairly constant.<sup>106</sup>

A United Nations report which looked at the 48 least developed countries showed that, although they had gone further than most to liberalise their markets, these countries had been pushed further into poverty.<sup>107</sup> Developing countries have been unable to gain increased access to global markets, instead they have seen increasing food import bills (also see section 'Trade Liberalisation: On balance good or bad for the developing world?' on page 21).<sup>108</sup>

### Farmers?

Small farmers both in the developed and developing world have not seen the promised benefits of trade liberalisation.<sup>109</sup>

Global trade favours larger farms, mono cultures and mechanisation.

For farmers who cannot match the technology needed for intensive, large-scale farming or who don't have the advantage of favourable geography and climate, the globalisation and liberalisation of agricultural trade threatens their survival. Yet the policies of governments in both developed and developing countries push farmers headlong into this globalised free market economy.

The global trading of food requires farmers to become more internationally competitive in order to survive. It forces farmers into competition with farmers from other countries where geography and climate are more favourable, labour costs lower and environmental and animal welfare standards less stringent. Crops that could be produced locally can now be imported, often at prices well below the local cost of production, damaging farmers' livelihoods and undermining local economies.

Multinational food corporations have no allegiance to communities and switch from producer to producer and from country to country in search of the cheapest price. They exploit their global scope, political influence and the free trade legislation to play farmers around the world off against each other (see box 'Playing off farmers around the world').

Farmers however can't simply relocate their farms and are forced to continually lower their prices, frequently to below the cost of production, in order to win contracts.

#### Playing off farmers around the world

A major UK supermarket chain told Cornish potato farmers to reduce their price as the supermarket was able to source early potatoes more cheaply from Jersey. The Cornish farmers phoned farmers in Jersey and found that the supermarket had told them that Cornish farmers were offering cheaper potatoes. The Cornish and Jersey farmers got together and contacted the supermarket demanding a fairer price. The supermarket buyer replied 'we don't need your potatoes, we can source potatoes more cheaply from Egypt or Cyprus'. The farmers, with no other market for their produce, were forced to sell at the price set by the supermarket.<sup>110</sup>

### Consumers?

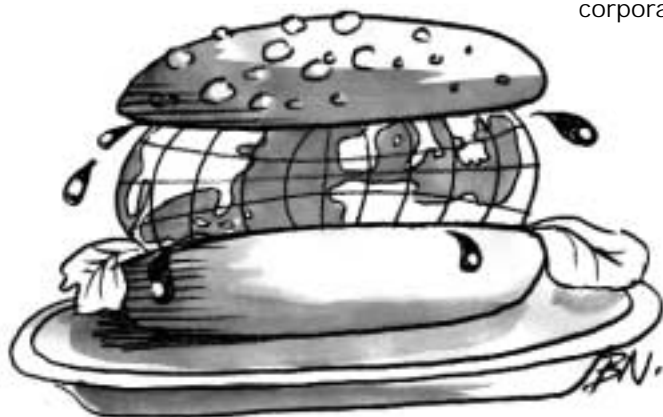
The lower prices being paid to farmers for their produce have not translated into lower prices for consumers. Instead the gains have mostly been absorbed by the food corporations involved in processing and marketing food, partly to cover their overheads -processing, packaging, transport and advertising - but also helping to increase corporate profits (see 'Are these low prices being passed on to consumers?' on page 9). Sophia Murphy of the Institute for Agriculture and Trade Policy says, 'it's not that consumers cannot benefit from trade liberalisation, but in practice they have not.'<sup>111</sup>

### Environment?

Trade liberalisation intensifies the pressures to industrialise food production, farmers strapped for cash must jump onto the treadmill of industrial agriculture in order to survive (see section 'The expand or go bust treadmill' on page 7). The intensive use of synthetic inputs (pesticides and fertilisers), machinery, crop monocultures, large scale factory farming and long distance transportation all promote environmental degradation (see section 'The Environmental crisis' on page 10).

### Multinational corporations?

By removing trade barriers (tariffs, quotas and duties), trade liberalisation has created a single, hyper-competitive, market in which the world's one billion farmers are forced to compete to sell their produce to the food corporations. At the same time, by erasing borders and globalising markets, trade agreements have enabled and encouraged the already dominant players (the multinational corporations) to grow ever larger through mergers and acquisitions of other corporations.<sup>112</sup>



Trade agreements and globalisation have dramatically altered the size and market power of the various players in the food system. This upset in the balance of power is a key reason for the disparity of distribution of profits. The restructured global food system increases competition among farmers for limited markets, driving down farm-gate prices and farmers' profits. At the same time it encourages corporate concentration, decreasing competition among agribusiness corporations and increasing their profits.<sup>113 & 114</sup>

The main beneficiaries of the global food system are the multinational corporations who have become experts at reaping the economic benefits of trade liberalisation and the global trade in food, while at the same time shifting the economic, social and environmental costs onto farmers and the public. Essentially this global market place is driving a 'race to the bottom' in the search for the cheapest labour and resources, weakest regulations, externalised risks and lowest taxation.<sup>115</sup>

## Corporate influence on global agricultural trade policy

What makes corporations so effective at achieving their agenda is their combination of market power with political lobbying power. Even seemingly powerful governments feel the pressure from the food corporations on their agriculture and trade policy-making when there are huge tax revenues and jobs to be lost if corporations decide to disinvest. US grain trader Cargill has had a hugely influential role in the development of US trade policy and numerous Cargill executives have had direct ties with the US administration. For example, Cargill was one of the principle architects of the US proposal to the GATT agricultural negotiations in 1987, which paved the way for the increased global trade in agricultural products.<sup>116</sup> Two key figures who have helped shape US trade policy over the last 20 years, Daniel Amstutz and William Pearce, both worked for Cargill (Pearce, former vice-chair of Cargill, was a deputy special representative for trade negotiations in the Nixon era; Amstutz, a former president of Cargill Investor Services later became chief US negotiator on agriculture in the GATT negotiations).<sup>117</sup>

More recently President Bush appointed Cargill chairman and CEO, Warren Staley, to serve on the Export Council (the national advisory committee on international trade) and Cargill Assistant Vice President for Public Affairs, Daniel Pearson, to represent farmers on the US International Trade Commission.<sup>118</sup> In addition to direct participation in the development of trade policy US agribusiness corporations give large amounts of money to US political parties: \$53 million in 2002.<sup>119</sup> It is no surprise, given that they are the architects, administrators and funders, that the ultimate winners of US and, by extension, global agricultural trade policy are agribusiness corporations.

### **Trade liberalisation: on balance good or bad for the developing world?**

*'Liberalised trade benefits only the rich while the majority of the poor do not benefit, but are instead made more vulnerable to food insecurity'*

Hezron Nyangito in *The Impact of Uruguay (Round) Agreement on Agriculture on Food Security: the case of Kenya* <sup>120</sup>

*'Trade can provide a powerful engine for economic growth and poverty reduction. For that to function, poor countries need access to rich-country markets.'*

Oxfam International in *Rigged Rules and Double Standards: Trade, globalisation and the fight against poverty* <sup>121</sup>

*'What is more important is production by local people and especially the small farms, small firms and cooperatives for the domestic market, supplemented by exports where possible and where beneficial (and that's a very big "where").'*

Martin Khor, Third World Network

While most agree that the development of strong agricultural economies is the lynchpin for food security and poverty alleviation in the developing world, there is currently a debate among food and agriculture policy analysts and development NGOs as to whether trade liberalisation will be the most effective route to the creation of food security and poverty reduction in developing countries. Some, like development NGO Oxfam and Guardian columnist and author George Monbiot, seem to have been seduced by the World Bank/WTO argument that market access will reduce poverty by allowing developing countries, with their lower production costs to undercut developed world farmers, win substantial markets in rich countries and strengthen their economies.<sup>122</sup> Others argue that production by local people for themselves and for local markets is more important than developing an export economy. They say that the model of free market access will not ensure that poverty is reduced and wealth generated in developing country economies. Rather the economic, social and ecological costs to developing countries of favouring export-oriented agriculture policies over policies which ensure food security and food sovereignty will destroy the livelihoods of poor farmers and create more poverty rather than reduce it.<sup>123</sup>

All the evidence so far seems to support the latter view - that the livelihoods of small farmers are being undermined by the free trade philosophies of structural adjustment programmes and international trade agreements.<sup>124</sup> A study by the UN Food and Agriculture Organisation (FAO) has shown that as trade barriers fall developing country farmers are increasingly facing competition from cheap imports in their local markets.<sup>125</sup>

Trade liberalisation has reduced the ability of developing countries to protect their agricultural economies against cheap imports by preventing their use of domestic price support mechanisms and import tariffs and has encouraged the development of export-oriented economies at the expense of food production for local consumption. At a conservative estimate 20-30 million people in developing countries have been driven from their land because of trade liberalisation.<sup>126</sup>

## Cheap Imports and Food Dumping

*'Whole families used to work on the land. We grew almost everything we needed. Now imported wheat is destroying our market. It's just not worth going to the trouble of producing food any more and the village is being emptied of people.'*

Dolma Tsering, farmer from Northern India <sup>127</sup>

On the face of it cheap imports sound like a good thing, as they might make food cheaper for consumers in poor countries, making it easier for those in poverty to buy food. But there are downsides that clearly outweigh any short-term benefits.

Cheap imports and particularly food dumping (the practice of exporting food at below the cost of production) depress global commodity prices, creating a knock on effect on prices in local markets. Small farmers can no longer compete and are forced out of the market and out of business.

Indian farmers who traditionally grew oilseeds like sesame, linseed and mustard have been driven under by cheap soya oil from US imports. India was formerly self-sufficient in the production of edible oils, but trade liberalisation and the reduction of tariff barriers on edible oil imports mean that it is now the world's largest importer of edible oils.

Pastoral farmers in West Africa have been displaced by cheap meat and dairy imports from Europe. Cote d'Ivoire and Burkina Faso also had healthy cattle sectors until beef from the EU was dumped on local markets. Mexican beef producers are losing out as US beef sales have tripled in Mexican markets since the introduction of the North American Free Trade Agreement, as a direct result of competition from US industrial food production methods.

Cheap imports and food dumping create a vicious circle: they drive developing country farmers out of their local markets because they can no longer compete, local production falls, farmers abandon their land, the whole of the rural economy shrinks, people are forced to move to the cities for work and more food must be imported.

## Growing commodity crops for export

Many farmers in developing countries are facing increasing pressure to grow crops for export. This comes not only from their families' need for cash but in response to government or corporate incentives or to World Bank/IMF structural adjustment programmes that seek to increase foreign currency earnings through agricultural production.

## Food aid

While food aid may seem to be an altruistic gesture from one country to another, it can contribute to long-term food insecurity by discouraging local food production, depressing prices and damaging local markets. It can also be a highly manipulative tool if the donor country uses food aid to influence the recipient country's policies. The amount of food aid peaks in years when cereal prices are low and stocks are high, ironically this means food aid is most readily available when there has been a good world harvest, when it is least needed.

In the late 1950s one third of wheat traded on international markets came from the US in the form of food aid. Many countries in the developing world became major importers of cheap US wheat with drastic results for local food production. Countries can also become reliant and remain recipients of food aid long after the disaster has been averted, as happened in Ethiopia, Uganda and Rwanda in the 1990s.

Rather than provide money for the purchase of food, allowing the country to buy culturally appropriate and regionally available food, the US, one of the largest donors of food aid, will only supply US agricultural produce. US food aid is often used to offload surplus food when market prices are low.

Frequently it comes with strings attached requiring countries to open up their markets to US agricultural produce in the future.

In 2003 the US offered food aid in the form of genetically modified (GM) maize to drought-stricken countries in southern Africa. A number of African countries have refused the offer, despite potential problems with food supply, because of concerns about GM contamination of their home grown maize supply. The cynical might see this as a way not only for the US to dump surplus crops (refused by European consumers) but also to establish GM contamination in Africa, making it harder for African countries to refuse GM seeds and GM agricultural produce in the future.



### Wake up and smell the coffee

Over the past few years there has been a massive global oversupply of coffee with producer prices dropping in 2001 to their lowest level since 1973. Coffee producers have been forced to sell their beans at prices well below the cost of production and as a result small-scale coffee farmers throughout the developing world have been facing economic ruin.

Until 1989, global coffee production was regulated by the International Coffee Agreement (ICA), a trade treaty which set export quotas for producing nations and kept the price of coffee fairly stable. However, in 1989, following a disagreement between member countries, the US pulled out, claiming that the agreement ran contrary to US interests by keeping coffee prices too high. The agreement essentially collapsed and coffee quotas and price controls ended. Coffee prices are now determined on the coffee futures markets in London and New York.

In the wake of the ICA's collapse and with the assistance of a World Bank loan Vietnam restructured its agriculture sector and increased its production of commodity crops for export. Many farmers in Vietnam were encouraged to take up coffee growing and over a period of ten years the country has grown from a minor player to become the second largest coffee producer in the world. In an unregulated market, this huge increase in export production has contributed to global oversupply and a collapse in coffee prices.

There are relatively few barriers to trade in the coffee sector, yet access to markets in rich countries has not pulled coffee farmers out of poverty. Millions of small farmers in developing countries have instead seen coffee prices fall, while retail coffee prices have remained relatively stable and a few very large corporations have made huge profits from the coffee supply chain.

Since the demise of the ICA's quotas and price controls, small coffee farmers have become very vulnerable to fluctuations in global coffee output, price changes on the global market and price manipulation by big corporations.

The balance of power in the coffee industry has shifted dramatically in favour of corporate interests, particularly in favour of the big coffee roasters: Nestle, Procter and Gamble, Kraft Foods and Sara Lee/Douwe Egberts, who between them control 45% of the global coffee market and are able to set global market prices. Profit margins for farmers are \$0.04 per kg and for coffee roasters (Nestle et al) \$1.22 per kg - thirty times higher.<sup>128</sup>

It has been predicted that the 2004 coffee harvest in Brazil (the biggest coffee producer) will be very poor (about half the usual amount of beans), As a consequence producer prices are likely to rise in the coming year giving small coffee farmers a brief reprieve, but without more power in the market, life will continue to be uncertain.

While growing commodity crops for export may generate cash, it does not create local food security. Food security, ensuring that a country's citizens have enough to eat, is the most basic of national government responsibilities. Until recently, local and national economies produced much of their own food and had a reserve for when food was scarce. Trade liberalisation has led to more land and resources being devoted to export crops and less to domestic food production thereby eroding food security.<sup>129</sup> For example to meet the demand for meat and meat products in industrialised countries, countries in the developing world are increasingly growing feed grain for export. The human consequences of this transition were dramatically illustrated in 1984 in Ethiopia when thousands of people were dying each day from famine. At the very same time, agricultural land in Ethiopia was being used to produce linseed cake, cottonseed cake and rapeseed meal for export to the UK and other European countries as feed for livestock.<sup>130</sup>

Export-oriented policies not only divert scarce land and water resources from meeting local food needs to producing luxury goods (flowers, shrimp, out-of-season vegetables etc) for rich countries. They also transfer control over resource use from small farmers to big corporations by increasing the concentration of land in the hands of a few, benefiting investors, agribusiness and larger farmers while marginalising small producers. Small farmers, who currently ensure that their own family's food needs are met and sell small surpluses at local markets, are likely to be displaced from their land and forced to become wage labourers on big farms producing for the global export market or alternatively forced to migrate to cities to find work.



## A Rough Guide to the UK Farming Crisis

Farmers who depend on export markets are also very vulnerable to losses from fluctuations in prices on the global commodity market, exchange rate fluctuations and economic slowdowns around the world. Those still embedded in the local economy can still feed their families, selling any surplus to local markets, whereas those who have been drawn into the global economy and have specialised their production for export can easily be destroyed by low prices on the commodity market or an economic downturn overseas over which they have no control (see boxes 'Wake up and smell the coffee' and 'Bitter-sweet deal for sugar farmers' on pages 23 and 24).<sup>131</sup>

The failure of developing countries to gain access to rich-country markets has been blamed on the refusal of the US and Europe to lower their trade barriers (export subsidies, producer subsidies and import tariffs). It is indisputable that trade barriers imposed by developed country governments exclude developing country exports and it is hypocritical to maintain these barriers in the face of requirements under structural adjustment programmes for

developing countries to open their markets. However, it is doubtful that removal of developed world barriers to trade would greatly assist the majority of farmers in the developing world to gain access to markets. It is unrealistic to expect small farmers to be able to take advantage of liberalisation to gain access to foreign markets. Small farmers in developing countries face numerous constraints including access to land, technology, cash or credit, the means to get produce to market or the bargaining power to get a reasonable price for it. As a consequence small farmers rarely export directly. They are more likely to sell through middlemen or supply under contract to multinationals and so are at the mercy of these more powerful players who control the market price to their advantage.<sup>132</sup> Those most likely to benefit from market access to the developed world are the big agro-exporters (see box 'Marginalising small farmers with excessive quality standards' on page 25).

### Bitter-sweet deal for sugar farmers

The EU produces far more sugar than can be consumed within Europe and is one of the world's biggest exporters of white sugar, accounting for 40% of world exports in 2001. Under the controversial EU sugar regime - a mix of production quotas, intervention prices, export subsidies and import tariffs - EU sugar beet producers, processors and traders receive subsidies which set sugar prices in the EU at almost three times the world price.

Sugar cane production plays a key role in the economies of some of the least developed countries. But these and other sugar cane producers are prevented from exporting to the EU because of very high tariffs (140%) imposed on sugar imports. The big EU sugar processors (four processors including British Sugar control over 50% of EU sugar) are a very powerful lobby and receive massive refunds from the EU on their sugar exports (1.5 billion euros in 2001), based on the difference in price between the world market and EU sugar prices.<sup>133</sup> These export subsidies enable EU sugar processors to dump huge surpluses of sugar on the world market, depressing world sugar prices below the cost of production.

The current winners under the EU sugar regime are the EU sugar processors and traders like British Sugar, big sugar beet farmers in the EU, and some favoured sugar exporting countries under the African, Caribbean and Pacific regime. The losers are farmers in developing countries who grow sugarcane but have to compete with subsidised EU sugar in their domestic and export markets.

While we agree that EU sugar should not be dumped on the world market, it seems questionable whether the removal of all EU sugar subsidies will, as Oxfam argues, actually help small sugar farmers improve their livelihoods.<sup>134</sup> Barriers to trade are only part of the problem, and it is likely that even in a barrier-free market, as with coffee, small farmers in the developing world will still be impacted by the power of the multinational corporations that control the sugar sector. Global trading and processing of cane sugar is controlled by just three corporations (Cargill, Tate and Lyle and Louis Dreyfus) and it seems unlikely that small sugar farmers would in reality see a much greater share of the profits of sugar production.

## Marginalising small farmers with excessive quality standards

Globalisation and trade liberalisation have dramatically increased the global trade in fresh fruit and vegetables as supermarkets scour the world for year round supplies of fresh produce to fill their shelves and satisfy consumer demand for out of season produce. But this increase in export-oriented agriculture has been at the expense of small farmers in the developing world who have been marginalised by the big retailers' stringent quality standards and their ability to set market prices. Only the large commercial farms and exporters can comply with these standards and survive on the low profit margins.

A large export-oriented horticulture industry has developed in Kenya and Zimbabwe to meet the demand for green beans and mangetout in Europe.

While this development has brought foreign exchange and employment opportunities in export packhouses, the expansion of production for European supermarkets has marginalised small farmers.

This restructuring of the supply chain at the expense of small farmers has been due mainly to the power of the UK supermarkets and their preference for sourcing from a few large firms. Smallholders, traditionally the main producers for export, have been pushed out of the market, and by the late 1990s only 18% of exports from Kenya were from smallholders. The majority of the business with the big UK supermarkets now goes to large commercial growers such as Homegrown Ltd, who are better able to comply with and pay for the tough quality standards set by the supermarkets.

About 35% of the green beans grown in Kenya don't reach the supermarkets' standards and are fed to animals or thrown away.

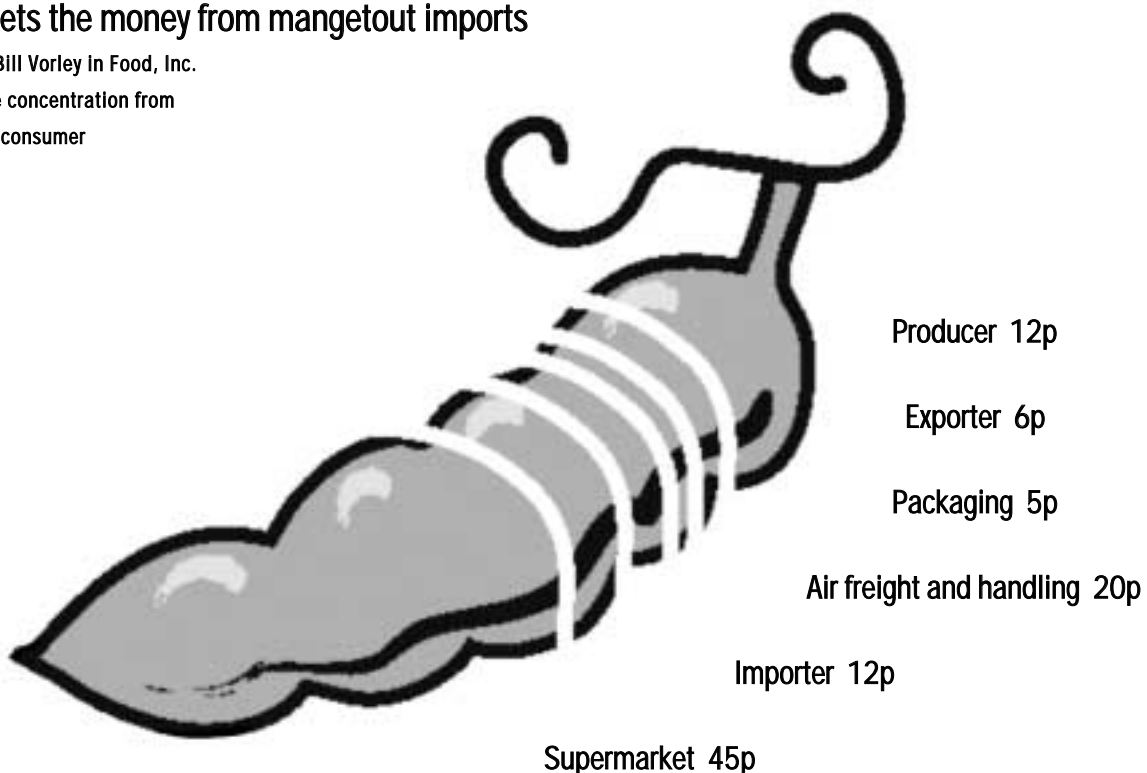
The power of the supermarkets in the fresh vegetable sector means that they set prices and take the lion's share of the retail value of Kenyan exports (46%), while producers receive only 14%, making it unprofitable for many smallholders to stay in business.<sup>135</sup> Similar figures were also found for mangetout exports from Zimbabwe (see figure below). The big growers are also under pressure to cut costs and there have been allegations of exploitation of packhouse workers by Homegrown Ltd.<sup>136</sup>

Although vegetable production in Kenya doubled between 1969-1999, exports increased six-fold and there was a decrease in the amount of vegetables consumed by Kenyans.<sup>137</sup>

## Who gets the money from mangetout imports

Source: Bill Vorley in Food, Inc.

Corporate concentration from farmer to consumer



# 6

## Corporate control of the food system

*'There are two hundred thousand farmers, dealing with, basically speaking, three supermarkets, two grain merchants, four fertiliser companies. Not a chance..... they've got power, real power.'*

Charles Peers, Oxfordshire organic farmer <sup>138</sup>

### Where Does the Money Go?

Most of what we spend on food - in fact nearly all of it - goes to non-farmers. It is estimated that UK farmers receive only 9p of every £1 spent on food by consumers.<sup>139</sup> There is plenty of money moving through the global food economy, but less and less of it is getting back to farmers. Most of the money in the food system is going into the pockets of companies in the processing and retailing sectors, which are dominated by huge multinational food corporations like Unilever, Nestle and Altria (Kraft Foods) and the big supermarkets like Asda/Wal-Mart, Carrefour and Tesco (see tables on page 27).

A study comparing the five year return on equity (a measure of current profitability) for Canadian farmers with that of a number of multinational food corporations found that farmers had a five year return on equity of only 0.7%, whereas the giant food corporations were many times higher: Nestle 21.5%, Philip Morris (now Altria) 39.1%, Kellogg 41.6%.<sup>145</sup> The average return on capital (a measure of future profitability) for the UK's big supermarkets is around 10-15% and for farmers approximately 0.5%.<sup>146</sup>

### Maximising profits, minimising competition

Food production in the UK and globally is increasingly controlled by a small number of multinational corporations. The food system has been described as an hourglass, with thousands of farmers selling their produce to millions of consumers via a small number of corporate food processors and retailers.<sup>147</sup> As the number of corporations in every sector of the food system has fallen, competition between them has diminished and the market power of the survivors has increased, enabling them to extract ever larger profits from the food system. According to the principles of competitive economics, markets are most effective when there is strong competition between a number of businesses. But the small number of corporations that now dominate each stage of the food system have created an oligopoly/oligopsony which distorts market prices.

#### Where does the money go in the UK food system?

##### Gross value <sup>140</sup>

UK food processing, manufacture and retailing sector (2002)	£37 billion
UK farming sector (2002)	£6.68 billion

##### Net Profits <sup>141</sup>

Top six UK supermarkets (2002)	£2,781 million
All UK farms combined (2002)	£2,356 million

##### Profits as % return on capital (2000) <sup>142</sup>

Tesco	11.0%
UK farmers	0.54%

##### Incomes

Terry Leahy (CEO of Tesco) pre-tax salary (2002) (equivalent to the combined income of 243 UK farm households)	£2.46 million <sup>143</sup>
UK average net farm income (pre-tax) (2002)	£10,100 <sup>144</sup>

Top 10 global food retailers <sup>148</sup>	
Company	Sales 2002 (US\$ million)
Wal-Mart (US)	246,525
Carrefour (France)	64,979
Royal Ahold (Netherlands)	59,455
Kroger ( US)	51,759
Metro (Germany)	48,714
Tesco (UK)	40,387
Costco (US)	38,762
Albertson's (US)	35,916
Safeway (US-no link to Safeway UK)	34,799
Ito-Yokado (Japan)	27,606

Top 10 global food and drink companies <sup>149</sup>	
Company	Food and drink sales 2002 (US\$million)
Nestle	54,254
Kraft Foods	29,723
Unilever	25,670
PepsiCo	25,112
Archer Daniels Midland	23,454
Tyson Foods	23,367
Cargill	21,500
ConAgra	19,839
Coca-Cola	19,564
Mars	17,000

These firms can exert significantly more upward pressure on their selling prices and more downward pressure on their buying prices than would be the case in a truly competitive market, especially when they enter into transactions with players several orders of magnitude smaller, such as farmers or consumers. It is no surprise, given the market power imbalance between food corporations and the farmers who must do business with them, that farmers do not get a fair price for their produce.

As horizontal integration takes place, competition within each sector is reduced and the surviving corporations increase their market power and their ability to protect their profits. A study of US corporations in the food processing industry confirms that when mergers and acquisitions occur competition within the sector tends to be reduced and prices increase.<sup>150</sup>

Global grain trader, Cargill Inc, is the largest privately owned company(i.e. not listed on any stock exchange) in the world.

### Horizontal Integration

In order to survive in the global food system corporations need to increase their market share. There has been a frenzy of corporate mergers and acquisitions, especially over the past ten years, which has led to the concentration of market power at every level in the food and agriculture industry. Control of each sector from seeds, fertilisers and machinery to processing, transportation and retailing, is now in the hands of just a few multinational corporations.

### Concentration in the food and agriculture industry

- Ten corporations control 80% of the global agrochemical market, ten companies control 31% of the seed market and four agribusinesses (Syngenta, Du Pont, Monsanto and Bayer) control almost 100% of the transgenic (GM) seed market.<sup>151 & 152</sup>
- Three companies (Cargill, Archer Daniels Midland (ADM) and Zen Noh) control 65% of US soybean exports and 81% of corn exports, four companies (Cargill, ADM, Cenex (now in a joint venture with Cargill) and General Mills) control 60% of US grain handling facilities and four companies (Cargill, ADM, Bunge and Ag Processing Inc) control 80% of US soybean crushing facilities.<sup>153</sup>
- In the US, four beef processors slaughter 81% of the cattle and four companies control 50% of broiler chicken production.<sup>154</sup> The biggest beef processors in the US are also the dominant processors in Canada and Australia.
- Six processors (Arla/Express, Dairy Crest, Robert Wiseman, Glanbia, Associated Co-operative Creameries and Nestle) control 93% of UK dairy processing.<sup>155</sup>
- Four supermarkets (Tesco, Asda/Wal-mart, Sainsbury and Somerfield) control 75% of UK food retailing.<sup>156</sup>

It dominates the distribution and primary processing of commodity crops such as soya and maize and has a global infrastructure with feed mills, port and storage facilities in 59 countries and operations in 130 others. In most of the sectors in which it operates Cargill controls at least 25% of the market and is either the largest or second largest player (also see box 'Cargill's involvement at every link in the food supply chain').<sup>157</sup>



*"Our long-term strategy is to buy up the supermarkets and then start making knives and forks."*

### Cargill's involvement at every link in the food supply chain<sup>159</sup>

- created a joint venture with Monsanto-Rennessen to develop genetically engineered soya for animal feed<sup>160</sup>
- supplies seed and fertiliser to farmers
- gives loans to farmers through Cargill-owned Bank of Ellsworth
- makes production contracts with farmers to grow grain
- collects, transports, processes and exports grain
- manufactures animal feed
- makes production contracts with farmers to rear cattle and pigs
- processes and packages beef and pork products
- supplies beef, under a long-term agreement, to Kroger Supermarkets (one of the biggest US supermarket chains)

### Vertical Integration and 'food chain clusters'

To consolidate their power further the biggest food corporations (e.g. Cargill, Con Agra and Archer Daniels Midland) are vertically integrating and making links both formal and informal at every stage in the food supply system. Where they don't own the companies in a particular sector, corporations have made strategic alliances to create what have been termed food chain 'clusters'.<sup>158</sup>

These vertically integrated companies control the food system virtually from 'field to fork': the same companies buy, ship and mill grain, feed it to livestock and then supply the supermarkets with meat products creating a production system where price is internal to the company's operation. There is no longer a marketplace and so there is no 'price discovery' at the different stages of production, competition is reduced and profits increase for the corporations.<sup>160</sup>

The agribusiness and food corporations controlling these vertically integrated 'clusters' have also gained control over decision-making throughout the food system; how much food is produced, what is produced, how it is produced and for whom. It is company profits, of course, that determine the outcome of these decisions, not the well being of farmers or the welfare of the public. Companies like Cargill are working to build a food system that is primarily self serving.<sup>161</sup> It has economic power over both suppliers and customers as well as political power over governments, especially the US government, which mean that it can successfully shape global trade policies in its own interests. Since agribusiness and small farmers have opposing interests, the success of the corporations necessarily comes at the expense of small farmers. Farmers need to be able to keep their production costs low and to maximise the price at which they sell their produce. Agribusiness with its more diversified interests is looking for market share, high volume sales and low commodity prices. For a business such as Cargill, high grain prices only make it more expensive to feed cattle and pigs or to make flour, eating into the company's profits overall.<sup>162</sup>

### Contract farming in the US - hired hands on their own land

Like their counterparts in the UK, US farmers are in financial trouble and are finding it difficult to gain market access because of corporate concentration in the food processing industry. To be sure of a market for their produce many farmers, particularly in the pork and poultry sectors, have turned to contract farming for the big agribusiness corporations. The proportion of US agriculture carried out under contract has increased from 10 to 35% in the last two decades.<sup>163</sup>

While agribusiness corporations are involved in most aspects of the food system they have not involved themselves in direct farm production.

The risks of farming - weather, pests disease etc - are too high, so instead agribusiness corporations such as Cargill and ConAgra aim to externalise these risks by making production contracts with farmers. With so much power in the food system and with farmers in such a precarious financial position, the corporations can make 'take it or leave it' contracts in which the company takes control over all management decisions on the farm. Contracted farmers no longer own their own animals, and feed and veterinary supplies are provided by the company. The company decides the feed ration, the timing of the production schedule and the weight of the animals at slaughter. It even tells farmers what type of chicken sheds or hog buildings they must invest in in order to win the contract.

When the animals are ready for slaughter they are transported to the company's processing plant and the farmer is paid what is left after deduction of all the company's charges.<sup>164</sup>

Essentially the corporation bears none of the risks of food production but passes them all on to the farmer. Many US farmers say they have effectively become 'hired hands' to the corporations. Beef farmers argued that production contracts and other 'captive supply' techniques that don't require open-market bidding had systematically depressed prices and were hurting farmers. Fed up with the rough deal they were getting from the big corporations they successfully sued Tyson Foods, the largest meat company in the US.<sup>165</sup>

Is contract farming for big corporations the future for UK farmers as well?

## The power of the UK supermarkets

*'Humanity is born free but everywhere is in supermarket chains buying 14.7cm long carrots stripped of dirt, geography, effort, labour stripped of content, context, joy and flavour buying 14.7cm long carrots stripped of carrothood'*

Steven Hancock 'All power to the allotment', in *Between Poems*, Pig and Ink Books 2000

### Retail Feudalism

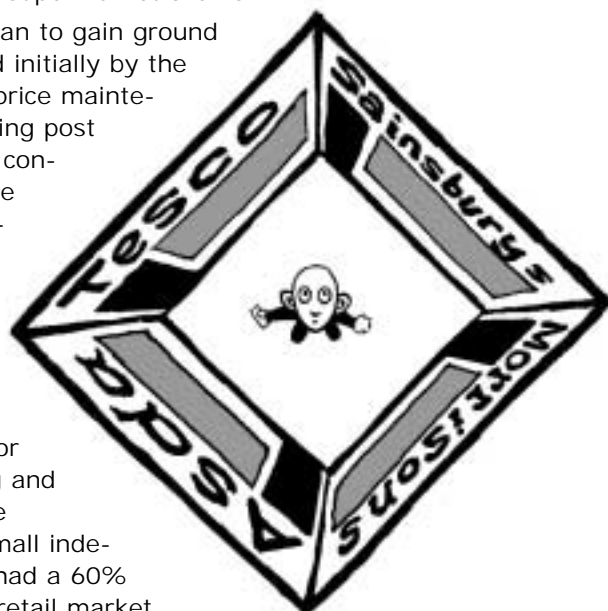
The impact of corporate concentration on most UK farmers comes not from agribusiness corporations or food processors but primarily from the highly concentrated supermarket sector which wields an enormous amount of power over farmers.

This power is wielded not only on price but through demands for consistency of supply and compliance with stringent 'quality' standards, which allow for more efficient processing and marketing of food, but are more difficult for small farmers to comply with.

Over the past 40 years food sales have dramatically shifted from small independent shops to huge supermarket chains.

Supermarkets began to gain ground in the 1960s aided initially by the abolition of retail price maintenance and increasing post war affluence and consumption and more recently by changing lifestyles (the decline of the traditional family, more women working outside the home and the demand for one-stop shopping and cheap convenience foods). In 1960 small independent retailers had a 60% share of the food retail market.

By 2000, their share was reduced to 6% while the multiples' share increased to 88%.<sup>166</sup> Andrew Simms of the New Economics Foundation says that we are witnessing the death of small and independent retailers and a new retail feudalism is emerging as a handful of brands take over our shopping.<sup>167</sup>



## A Rough Guide to the UK Farming Crisis

With the recently announced takeover of Safeway by Morrisons, the UK grocery retailing sector has become even more concentrated. Four supermarkets now control 75% of food sales (Tesco 25.8%, Sainsbury 17.2%, Asda-Walmart 16.6%, Morrisons 15.8%)<sup>168</sup>. This concentration of the grocery retailing sector has produced a situation in which a small number of large supermarket chains ruthlessly exploit their substantial buying power. Farmers are in an extremely weak negotiating position and are frequently paid less than the costs of production (see section 'Producing more, but earning less' on page 8). Farmers used to have some bargaining power on the basis of seasonality, but imports and glasshouses have destroyed this advantage. With the globalisation of the trade in food, supermarkets shop around the globe looking for the best price. They employ researchers to discover what the average cost of production is for a particular crop world wide, they then conduct 'blind' auctions over the internet.<sup>169</sup> Farmers do not not know what price has been tendered by other producers and this forces them to offer their produce at a low price to ensure a sale. Producers of perishable foods are especially vulnerable. Supermarkets dictate not only how much they will pay, but also how the produce will be packaged, stored and delivered.<sup>170</sup>

Only multinational food corporations and companies with successful brands have any leverage with the big retailers. Supermarkets have farmers over a barrel. They either accept the supermarkets prices and terms or they don't trade. Even Tony Blair has admitted that supermarkets have farmers in an 'armlock'.<sup>171</sup>

### Dedicated supermarket supply chains

Supermarkets have brought their buying power to bear on producers not only with respect to prices, but also through supply chain management - their systematic control of the whole food supply chain.

Highly sophisticated systems of contracts and specifications and tight managerial control monitor the supply chain, including direct contracts with selected farmers rather than traditional competitive markets, the use of 'favoured' slaughterhouses, processing and packing companies and the development of retailer 'own brand' foods produced under contract by big food processors.

Tesco was the first supermarket to bypass live auction markets, buying cattle and sheep direct from farmers,<sup>172</sup> but all the big supermarkets now favour buying directly from a small number of selected farmers. These closed contract production systems have become such a large part of the livestock and produce industries that the traditional methods of selling farm produce through wholesalers and livestock markets are in serious decline. While some farmers appear to be benefiting from these dedicated supermarket supply chains, the majority of farmers have been marginalised by the consequent collapse in the wholesale market and a lack of alternative markets for their produce.<sup>173</sup> Selling through live auction markets was still dominant in the 1960s and over 800 markets operated in the UK, but by March 2001 only 170 remained.<sup>174</sup> A survey by the Meat and Livestock Commission in 2002 suggests that less than 20% of cattle are now sold through cattle markets and only 35% of lambs.<sup>175</sup> The closure of livestock markets is also destroying the viability of market towns and further isolating farmers, from their communities as they no longer come into town every week to the market. While many may applaud the closure of livestock markets on the grounds of cruelty and their replacement by alternatives such as electronic selling,<sup>176</sup> there has also been a decline in the number of slaughterhouses which means that animals must often travel long distances by truck to be slaughtered. In 1967 there were over 3,000 slaughterhouses in the UK, but by March 2001 only 520 were still in operation.





### Who has the power in the UK bread sector?

The level of corporate concentration and vertical integration in the UK bread and flour industry is extremely high. A handful of grain merchants; Allied Grains (part of Associated British Foods (ABF)), Grain Farmers, Dalgety, Banks-Cargill and Glencore control wheat purchasing from UK farmers (there are 63,000 cereals farmers in the UK<sup>177</sup>) and sell on to the flour millers. Just two companies Rank Hovis (part of RHM) and Archer Daniels Midland Milling account for more than 50% of bread flour milled in the UK.<sup>178</sup>

The factory ('plant bread') industry produces 81% of the bread eaten in the UK.<sup>179</sup> This sector is controlled by two companies: Allied Bakeries (part of ABF) and British Bakeries (part of RHM) who have 55% of the total bread market by value, producing bread under their own brands and for supermarket own-labels.

The big supermarkets are the major retailers of bread and account for about 70% of UK bread sales of which 50% is own-label bread, produced by the big plant bakeries and 18% is produced by in-store bakeries.<sup>180</sup> To increase their share of the retail grocery market, the big supermarkets have sold bread as a 'loss leader', i.e. at below cost, for a number of years. Bread prices have fallen by 28% in real terms since 1995. Although the level of corporate concentration and vertical integration in the bread chain is very high, no one seems to be making a large profit from it. Certainly farmers are not: they have considerably less bargaining power than the big corporations and as a consequence the farmgate price for bread wheat is well below the cost of production.

Supermarkets, with their large share of bread sales, are controlling the sector by maintaining very low bread retail prices. To retain their profit margins the supermarkets put the squeeze on suppliers and ultimately farmers. Unwilling to increase retail bread prices because of fierce competition for retail market share, the price of bread in the supermarkets has become disconnected from the price of the raw materials and production costs. According to the Scottish Association of Master Bakers in their submission to the Competition Commission on Supermarkets, the supermarkets blatantly abuse their power over suppliers, expecting them to absorb overheads so that the supermarkets can maintain their profits.<sup>181</sup> The combination of retailer power and persistent below-cost selling policies is blamed for devaluing the bread sector and forcing down factory gate (and farmgate) prices.<sup>182</sup>

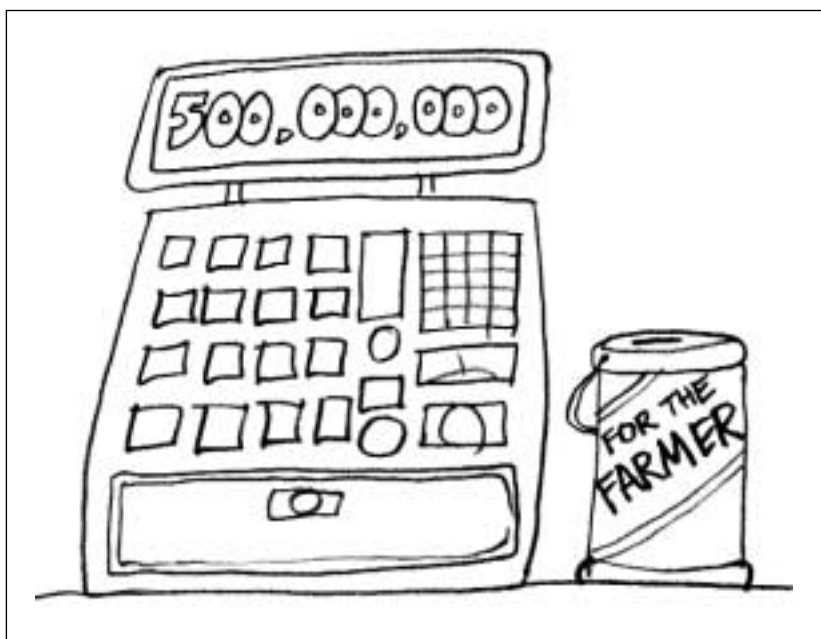
This is partly the result of increased competition and rising hygiene standards following Britain's membership of the EU but also because the big supermarkets have forced farmers into direct supply contracts via favoured slaughterhouses, such as Tesco associated slaughterhouse St Merryn Meats.<sup>183</sup> The decline in the number of slaughterhouses is also making it difficult for farmers to trade locally.

The supermarket rejected the whole batch of cauliflowers (because of the wasps) as not up to their quality standards.<sup>184</sup>

In 2000, the Competition Commission examined the many anonymous complaints from farmers that they were being subjected to excessive or unreasonable demands from supermarkets.

### Supermarket exploitation of farmers

The superior bargaining power of the supermarkets means that they frequently fail to enter into fair contracts with suppliers who are at the whim of constantly changing packaging and quality demands. Many farmers have stories to tell of their exploitation at the hands of the supermarkets but for fear of being blacklisted, most are unwilling to speak out publicly about their plight. For example, an anonymous farmer selling cauliflowers to a supermarket had his entire crop rejected due to excessive quality standards. He had a problem with caterpillars and the supermarket told him he couldn't use pesticides to eliminate them but that he could use a bio-pest control, the *Encarsia* wasp. This caused no damage to the cauliflowers, but the occasional dead wasp was left on them.



## A Rough Guide to the UK Farming Crisis

In its report the Commission cited 30 ways in which supermarkets exploited their power over producers.<sup>185</sup> These included 'requests' for 'over-riders' and retrospective discounts, 'requests' for promotion expenses, making changes to contractual arrangements without adequate notice, late payment of invoices and unreasonably transferring risks from the supermarket to the supplier. Despite these findings the Commission failed to impose any sanctions on supermarkets.

They did however propose the setting up of a code of practice between the supermarkets and their suppliers. However, according to farmers and small processors, the voluntary code agreed between the Office of Fair Trading and the big four supermarkets has failed to curb the power of the supermarkets.<sup>186</sup> A long-awaited review of the code by the Office of Fair Trading is due out in spring 2004.

For further information see the Corporate Watch publication 'What's Wrong With Supermarkets?'<sup>187</sup>

### Who has the power in the UK dairy sector?

The small number of companies dominating both dairy processing (currently six processors control 93% of the industry) and retailing (six supermarkets control 65% of liquid milk and 70-85% of dairy produce sales) means that there is a significant imbalance of market power in the UK dairy sector. The dairy processors and supermarkets are able to exert considerable pressure on the 29,000 comparatively much smaller dairy farm businesses, consistently forcing the farmgate milk price below the cost of production.

Supermarkets have brought their buying power to bear not only on dairy farmers but also on the dairy processors through consolidation of the retail sector (horizontal integration) and through their increasing control of the dairy supply chain (vertical integration). The biggest supermarkets have increased their power in the dairy sector by becoming directly involved in milk processing through the development of own-brand milk and milk products in association with the big milk processors.

The six largest supermarkets are all supplied with own brand milk by just three big milk processors (Arla/Express, Dairy Crest and Robert Wiseman). Supermarket purchasing power is putting increasing pressure on dairy processors' profit margins and the big processors are falling over themselves to get an even bigger share of the market supplying own-brand dairy products to the supermarkets. While processors are powerful in relation to farmers, the processor must take the price offered by the supermarket or the buyer will simply go elsewhere. The big processors have a perishable product to sell and currently have excess liquid milk processing capacity; competition to fill that capacity plays into the hands of the supermarkets.<sup>188</sup> The supermarkets essentially have a small but interchangeable pool of milk suppliers and are in a strong position to dictate the terms of supply and to switch between suppliers.

The farmgate price of fresh milk has declined since 1995. Despite the falling price for raw milk, both supermarkets and processors have maintained their selling prices and increased their respective profit margins at the expense of both farmers and consumers over the same period (see table below).

In 2002, Tesco and Asda, under pressure from dairy farmers, announced that the farmgate price for milk should be increased by 2ppl.<sup>189</sup> Dairy processors came under pressure from the supermarkets to pass on this 2ppl price increase directly to farmers.<sup>190</sup> However neither supermarkets nor processors were willing to cut into their profits to support dairy farmers. In the end it was consumers who were forced to pay; the retail price of fresh milk was raised by 2ppl. Overall the power in the UK dairy sector resides primarily with the big supermarkets and to a lesser extent with the big dairy processors; dairy farmers and consumers are the clear losers.

### Milk Price Indices at the Farmgate, Factory Gate and Retail Checkout (1995=100)<sup>191</sup>

	Farm Gate	Factory Gate	Retail Checkout
1995	100	100	100
1996	101.6	101.6	99.56
1997	89.7	102.6	97.07
1998	78.71	102.6	94.46
1999	74.78	95.0	94.71
2000	69.11	94.5	94.93
2001	80.67	99.9	101.39

# Rebalancing power in the food system: some ideas

# 7

## Food Sovereignty

What kind of food system do we want? Via Campesina, the international movement of small farmer and peasant organisations, proposes that we replace neoliberal economic policies with a more democratic approach to agriculture and food supply - the concept of food sovereignty, or possibly a better term for use in the UK, food democracy.<sup>192</sup> This approach begins from the principle that people, communities and countries have the right to control their own agriculture and food systems. Unlike food security, which suggests only that people should have enough to eat, but fails to address who produces it or how, food sovereignty emphasizes the right of communities to protect and regulate domestic agricultural production and trade to achieve sustainability, guarantee a livelihood for farmers, and ensure the members of that community are fed.

Food sovereignty promotes sustainable, small scale family farm based food production with adequate prices for all farmers, supply management, abolition of export support and the regulation of imports to protect local food production. It emphasises equitable access to land, seeds, water and other productive resources, and the development of local markets and economies rather than export economies. Food sovereignty puts people, access to healthy food and protecting livelihoods above trade and corporate profits. It is not anti-trade, but promotes trade policies and practices that serve people and their right to safe, healthy and ecologically sustainable food production. Food sovereignty is a concept that should make sense to farmers and consumers in both the developing and industrialised world.

All are facing rural crises and are feeling the effects of free trade policies and the control that the big food corporations are exerting over the food system.

How are we going to make these changes to the food system? Below are some ideas for starting the process.

## Removing food and agriculture from international trade agreements

There is a growing global lobby, which includes Via Campesina and many other farmer organisations and NGOs, which argues that neoliberal international trade agreements like the GATT should not regulate the trade in agricultural produce and food. They say that there is a clash of economic models and that the dominant model based on liberalisation of agricultural markets and the move towards export-oriented industrial agriculture runs counter to the principle of food sovereignty and the creation of participatory, sustainable and locally controlled food systems.

The cracks are showing in the WTO trade negotiation process, which is currently at a standstill on agriculture issues after the failed talks in Cancun. Direct action by farmers and activists from the environmental and social justice movement at recent WTO meetings has not only been effective in raising public awareness of the injustices of the international trade rules but has effectively confronted those in power and delegitimised the WTO process. The presence of thousands of farmers and activists protesting at WTO meetings has opened a political space and strengthened the resolve of the developing countries to hold out against the demands of the US and Europe for ever-increasing trade liberalisation. While the G20+ group of developing countries is focused on reform of the trade rules, grassroots farmers' organisations, academics and NGOs are filling the vacuum in the negotiation process with proposals for alternative ways forward for the global food supply which embody the ideals of food democracy.



## Small farms good, big farms bad?

*'In fact small farms are 'multi-functional' - more productive, more efficient, and contribute more to economic development than do large farms.'*

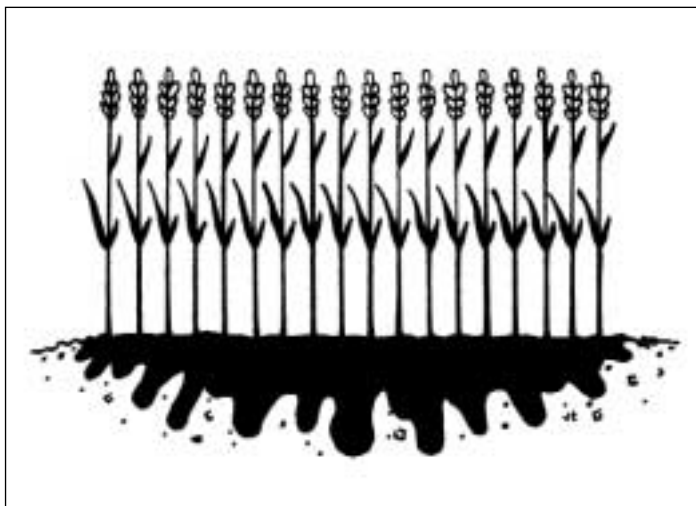
Peter Rosset, Executive Director of the Institute for Food and Development Policy

While the whole of the UK farming sector is declining, there is evidence that we are losing small and family farmers at a much faster rate compared with the total farming population (see section on 'The declining farm workforce'). Yet research has shown that small farms have multiple functions which benefit both society and the environment; they are more productive, more efficient, less damaging to the environment and contribute more to economic and community development than large farms. It maybe that small farms have these characteristics because these farms are frequently family farms and their owners have more invested in the land, both for themselves and for future generations, than do the institutional owners and managers of larger farmers.

### Small farms are more productive and more efficient

Over the last 60 years, farmers have relied on science and technology to increase their yields and produce a cheaper raw material. But large chemically intensive monoculture farms are not the most efficient way to produce food. When compared with large industrial farms, small farms are more productive and more efficient.<sup>193</sup> Small farmers worldwide produce from 2 to 10 times more per unit area than do larger, corporate farmers.<sup>194</sup>

In the US, farms smaller than 27 acres (because they concentrate on high value produce and value added products rather than undifferentiated commodity products) have more than 10 times the dollar-per-acre output of larger farms (6,000+ acres).<sup>195</sup>



It is their more efficient use of land, water and other agricultural resources that helps give small farms their productivity advantage. Chemically intensive monoculture farming relies on the constant development by plant breeders of new pesticides and new seed hybrids but this type of farming often fails to take account of the particular geography of the farm - the availability of water, the quality of the soil, the slope of the field, the climate. On large farms generally only one crop is grown on any one field, whereas small farms may use polycultures - mixtures of crops utilising different root depths, plant heights or nutrients on the same piece of land simultaneously - so increasing the total yield per unit area.

With the decline of small mixed farms that include both livestock and arable farming, valuable inputs such as straw and manure have become waste products rather than integral to the farming process.

### Small farms are better for the environment

Small farmers generally take better care of natural resources, including reducing soil erosion and conserving biodiversity. Intensive industrial production methods may currently produce greater yields, but are likely to take their toll on the land in terms of soil degradation and erosion leading to lower yields in the future. In the US, small farms have three times as many trees per acre as larger farms, have more biodiversity and do less environmental damage.<sup>196</sup> By preserving biodiversity and reducing land degradation small farmers produce significant benefits for society and safeguard the future

sustainability of agricultural production.<sup>197</sup>

### Small farms contribute more to the local economy and community development

Communities surrounded by small farms have healthier economies than those surrounded by large, mechanised farms. A study comparing two farming towns in the San Joaquin Valley in California found an inverse correlation between farm size and the well being of their local communities. The community surrounded by small farms had lower poverty rates, lower levels of economic and class distinctions and a lower crime rate than the community surrounded by large farms.<sup>198 & 199</sup>

## Dismantling corporations

*'The underlying problem that we face is protecting public democratic decision making from being usurped by private corporate decision making. Without aggressively confronting the tremendous power wielded by multinational corporations we will never halt industrial agriculture or succeed in instituting successful alternatives'*

Dave Henson In *Fatal Harvest: The tragedy of industrial agriculture* 200

Corporations have acquired a tremendous amount of power without society even noticing. They have acquired legal rights, for example the same legal standing as human beings - 'corporate personhood' - yet have very few responsibilities. The big food corporations have successfully used their power to privatise decision making about who controls the food system and how it operates.

Corporations are required by law to act in the best interests of their shareholders. Ultimately, this means the only interest corporations are supposed to consider is that of maximising profits in order to pay dividends to shareholders. Since corporate lobbying also follows this rule - attempting to promote policies which permit higher profits - at present corporations function as an independent interest group in political decision-making, whose interests over-ride those of farmers, workers, consumers etc..

Legal reform transferring ultimate control over a corporation's actions from the shareholders to the people affected by its actions - workers, local communities, customers etc. - would remove this idea of profit as a separate interest group and open the way to the development of a more sustainable and democratic food system. Coupled with the removal of corporate personhood rights and the imposition of full legal responsibility for corporations' actions, such restructuring could throw into question the very need for multinational corporations and lead to their replacement with human-scale organisations. While dismantling corporations may seem like the most difficult solution to the corporate domination which is causing the farming crisis, it is the only solution in our view that will realistically make space needed for creating a truly democratic food system.

## Corporate self regulation

There is very little practical chance of corporations regulating themselves, given that they are in business solely to make a profit and are under constant pressure from shareholders to increase their profitability. Whatever spin their PR departments choose to put out, corporations cannot consider the interests of workers, suppliers, local communities or the environment where these might be detrimental to profits. This makes a mockery of the idea that voluntary Corporate Social Responsibility could in any sense be an effective way to control corporate power. For example, the UK's biggest supermarkets have failed miserably to comply with the government's voluntary Supermarket Code of Practice, aimed at stamping out unfair practices in relation to suppliers.<sup>201</sup> The recent refusal of the leading UK supermarkets to disclose information has scuppered a government funded project, 'Race to the Top', which aimed to compare and publish the social, health, ethical and environmental track records of the supermarkets as a way of providing incentives for better working practices.<sup>202</sup>

## New rules for food corporations

What about legislative reform of the activities of the corporations within the food system? There are certainly plenty of ideas around for the development of new legal rules to curb corporate power.<sup>203</sup> But changing attitudes and policy in government involves overcoming not only the entrenched policymaker mindset that says that free trade and globalisation are inevitable but also the powerful vested interests of the multinational corporations.

So let's not get too excited at the prospect of actually getting any of these new rules onto the statute book in the near future. Obstacles include the present climate of support for neoliberal trade policies, the power of corporate lobbying and the 'revolving door' corruption between corporate management and policy-making bodies at both the national and global level on agriculture and food policy.



## A Rough Guide to the UK Farming Crisis

For example, according to Oxfam America, US agribusiness mainly lobbies on three policy areas: domestic farm policies that encourage oversupply and low prices; competition policy that does not threaten levels of corporate concentration; and policies that protect private property and investment and give equal treatment to domestic and foreign firms.<sup>204</sup> Which are of course exactly the policy issues that food activists think need the most urgent attention.

While we do not believe that tinkering at the edges with regulation will lead to democratisation of the food system without the nature and structure of the corporation also being directly addressed, some strong regulation could help to loosen the grip of the corporations on the food chain and mitigate their worst excesses, while we continue to work on dismantling them. Two ways forward that to some extent address the systemic change needed are supply management and competition regulation.

### Supply Management

Many agricultural economists and analysts believe that a system of supply management is the only way to ensure fair allocation of resources based on providing for people's food needs and giving a fair price for farmers. Supply management involves the control of imports, production, and pricing.

In Canada, where supply management has been in place in certain sectors since the 1970s, it has evolved into a comprehensive system involving agricultural production quotas, producer marketing boards and import controls which regulate and stabilise both the supply level and the prices farmers receive for their poultry, turkey, eggs, and milk products. A comparison of the chicken sectors in Canada where supply management is in place and the US where farmers are at the mercy of the free market shows that Canadian chicken farmers receive significantly higher farm prices.<sup>205</sup>

Daryll Ray of the University of Tennessee has proposed a new agriculture policy for the US which aims to increase market prices globally through the use of supply management tools; paying farmers to take land out of production (set-aside), inventory reserves (when prices fall below a threshold level farmers would be paid to store crops and when prices rose above the threshold they would be paid to sell their reserve stocks) and price supports activated when crop prices fall below a threshold level. Although the policy is specifically designed to control US agricultural production, according to Ray it would have immediate effects on world prices because the US is such an important crop exporter, though it could only be sustained in the long term if other major exporters such as Europe implemented supply management as well.<sup>206</sup>



*"I think we're lost. Try going in circles."*

But let's not be under any illusion about the difficulties of getting proposals to manage the food supply and raise farmgate prices onto the national or global agenda. According to free trade rhetoric supply management tools are a barrier to trade and therefore to be phased out under the AoA. Supply management proposals will also face the full force of the lobbying power of the big food corporations whose interests are best served by an oversupply of commodities at low prices. Canada has been under constant pressure, as a signatory to NAFTA and the AoA, to lower or eliminate the quotas that protect Canadian farm prices. US agribusiness in particular has lobbied effectively to scupper all attempts at supply management in the US.

The International Coffee Agreement, which set global production levels and prices for coffee, was effectively sabotaged by the US when it pulled out of the agreement; the International Grains Agreement which was set up to maintain minimum world prices for wheat and other grains was undermined by the big grain traders; and the Harkin-Gephardt Save the Family Farm bill which aimed to limit US crop production and raise farm prices was defeated before it got onto the statute book by a consortium of agribusiness corporations.<sup>207</sup>

### Dismantling monopoly power

The focus of neoliberal policies on international competitiveness at all costs has allowed corporations free access to all markets, enabling them to wipe out or buy out competing businesses. The resulting mergers and acquisitions in the food sector have reduced competition and increased the market power (and profits) of the small number of surviving multinational corporations. But these profits (made at the expense of suppliers, including farmers) are not being passed on to consumers, suggesting that competition policy is not working.

Currently UK competition policy is intended to maximise the efficient use of resources and to transfer the benefits of these efficiencies to consumers. It focuses solely on the seller's relationship with consumers and the provision of value for money to consumers. Competition law defines a monopoly as a business that has greater than 25% of national market share.

But there are a number of failings with the current policy. It fails to take account of the biggest factor affecting consumers, that a small number of big supermarkets essentially control the food retail market, creating what is technically known as an oligopoly, a situation which diminishes competition. For example, while Tesco has a massive 26.8% of the market, it is even more worrying that between them the four largest supermarkets control over 75% of food retail.

When they lobby government on policy issues supermarkets frequently speak with one voice, through lobby organisations such as the British Retail Consortium.

While UK competition policy protects the consumer, at least to some extent, it does nothing to protect farmers, who are faced with a marketplace in which there are a very small number of buyers for their produce, technically called an oligopsony. While there is fierce competition between farmers for markets for their produce, the relatively much smaller number of big food processors and supermarkets can shop around the world, forcing down the price paid for agricultural produce and imposing onerous conditions on farmers.

The dismantling of these food corporation oligopolies/oligopsonies through tough competition regulations at both the national and global level and the prevention of further concentration in the food sector through limits on mergers and acquisitions are key steps toward reducing corporate power while ensuring that farmers worldwide can earn a living and that consumers have access to affordable food.

### Curbing the Power of the Supermarkets

Below are some of the legislative approaches which are currently being taken to curb the power of the supermarkets:

- **Laws against loss leaders** - Supermarkets have frequently been accused of selling some products at below the cost of production. Bread and sugar are examples of these items known as 'loss leaders'. Legislation to stop supermarkets selling produce at below the cost of production (in part to protect smaller retailers but also presumably with the expectation that the increased profits will be passed back to farmers) has already been introduced in France (the 'Loi Galland' 1996), Ireland (Groceries Order 1987) and Germany (Restrictions on Competition Act 1999).
- **Farmgate price labelling in supermarkets** - In 1999, the French government agreed to impose a temporary double price labelling scheme for certain fruits and vegetables.<sup>208</sup> Retailers had to display not only the retail price for the product, but also the price the grower received. The idea was that if a label showed a wide disparity between the farmgate price and the price to the consumer, consumers would not buy the product. Food activists in the UK have already taken this idea on board and rather than wait for legislation have been putting stickers on produce in UK supermarkets to let consumers know about the disparity between the cost of production, the farmgate price and retail prices.<sup>209</sup>
- **A supermarket code of practice with teeth** - An alliance of UK farmers organisations, development, environment and consumer NGOs is campaigning for the current voluntary Supermarket Code of Practice be toughened up and made legally binding and for the appointment of a Supermarket Regulator with powers to investigate and take legal action against supermarkets to protect the interests of farmers and consumers.<sup>210</sup>

### Creating new food networks

It's likely to take considerable time for the rules to change so that the power balance in the food system shifts away from corporations in favour of a more democratic food system, but the creation of new food networks which operate outside the corporate controlled food system and embody the ideals of food democracy has already started.

### Re-localising the food supply

What is localisation? According to Colin Hines, localisation reverses the trend of globalisation by discriminating in favour of the local, 'what can sensibly be produced within a nation or a region should be. Long distance trade should supply only what cannot be produced within the local economy'.<sup>211</sup> Its proponents say localisation of the food supply would give farmers a bigger share of the money spent on food, provide communities with affordable healthy food, increase environmental protection, improve livelihoods and help revitalise local communities.<sup>212</sup> Colin Hines, together with Green MEP Caroline Lucas and small farmer Michael Hart, has developed proposals which aim to keep food production closer to the point of consumption, help protect small farmers and rebuild local economies. They have redrafted both EU policy (replacing the Treaty of Rome with the Treaty of Localisation) and the rules of the WTO (replacing the GATT with the General Agreement on Sustainable Trade (GAST)) to change the current emphasis on the prioritisation of international competitiveness and free trade to policies that promote a more sustainable and equitable economic system by prioritising the rebuilding of local economies.<sup>213</sup>

### Co-operatives and buying groups

To increase their bargaining power farmers have for many years formed co-operatives and producer groups - the idea is that with more to sell they can demand a better price and fairer terms of trade.

The NFU has suggested that UK farmers should join forces with farmers from other countries to form farmer-controlled global businesses or 'trans-national co-ops' to challenge the global power of the corporations.<sup>214</sup>

However, it is hard to see how these farmer-owned businesses operating in the global food system will be able to gain enough power to guarantee farmers a fair price, unless the power of the big food corporations is significantly curbed.

Co-operative ways of working do however have many benefits for farmers, retailers and consumers working to create a more participatory and democratic community-based food system.

They provide businesses with organising structures that are democratically controlled, putting into practice the principles of social justice and equal opportunity. They are locally owned, creating and retaining profits and jobs within their communities. They operate in the competitive market, while combining commercial and social objectives (see also 'Creating new models for the food system').

### Creating new models for the food system

New community-based food networks are being developed that take power away from the corporate-controlled food system. They support locally adapted, environmentally friendly, socially responsible farming and celebrate the diversity of alternatives to current farming practice. They provide healthy, affordable, nutritious food and increase co-operation and build more direct links between producers and consumers. There are a myriad of possible ways to embody these principles of community food systems, including farmers markets, producer groups, growers co-operatives, food co-operatives and community supported agriculture.<sup>215</sup>

### Citizenship not consumerism

Supermarkets have come to dominate our food buying habits. They provide the illusion of convenience, choice and value for money making it difficult for many consumers to see how they can make the switch to more socially and ecologically sound buying habits.<sup>216</sup>

Supermarkets are of course responsive to consumer demands, for example banning GM food and stocking organic, fair trade and to some extent 'local' foods.



In fact any area they can see a profitable market niche. These incorporating tendencies of the supermarkets however tend to take business away from those who were the innovators in these niche markets, the small producers and suppliers who are the backbone of community food networks.

There needs to be a shift in our relationship with the food system, from passive consumers to responsible citizens; ready to make informed choices, prepared to bypass brands in supermarkets and to enter into more ecologically and socially responsible direct buying arrangements with farmers and small suppliers, through farmers markets, farm shops, box schemes, local shops, food cooperatives etc. while we may have to nip into the supermarket occasionally for something we have forgotten; as food citizens and consumers of food we all have a part to play in creating and supporting community food networks so that they can become more than just niche markets but actually become the reality of our food system.

As we build these alternative food networks and create models of what a more democratic food system might look like, as Dave Henson says, 'we must be clear that the corporations can be and always are ruthless in buying out, making illegal, marginalising or destroying people's most successful efforts at getting off their treadmill.'<sup>217</sup> In other words, while we develop these alternatives they will forever remain just 'alternatives' unless we at the same time dismantle the mechanisms of corporate rule that block these alternatives being the norm.

## Sustainable Agriculture

There is a steadily growing movement of farmers around the world who question the impacts of industrialised agriculture and practice traditional small-scale sustainable methods of agriculture or are developing new methods of farming more sustainably, such as organic farming, permaculture, biodynamic farming and veganic agriculture.<sup>218</sup>

Sustainable agriculture is frequently defined as 'agriculture that is capable of meeting the needs of the present without diminishing the ability of those of future generations to meet their needs'.

It has three main characteristics; it must be ecologically sound (it must protect and maintain the productivity of its natural resource base), economically viable (it must make sufficient profits to give farmers a decent livelihood and support rural communities) and socially responsible (provide for people's food and fibre needs and give opportunities for people to have meaningful livelihoods).

Jules Pretty and Rachel Hine of the University of Essex recently made the largest study so far of sustainable farming practices. Looking at over 200 projects in 52 developing countries they found that switching to sustainable agriculture increased yields by 50-150% and gave environmental (improved soil structure / reduced erosion) and social benefits (learning programmes) as well.<sup>219</sup>

## Eliminating Meat From the Diet?

There are compelling moral arguments for eliminating animal products from the diet, there are also sound reasons based on food equity. Meat production is notoriously inefficient; it takes between 3 and 10 units of grain to produce a single comparable unit of meat. If all the people in the world were to consume meat at the rate at which people in the USA and the UK do, there would be nowhere near enough grain to go around. This undeniable fact has led some people to advocate a vegan diet (no meat, no dairy, no eggs) as a solution to world food problems.



"That dog is worrying the sheep again."

We do not specifically advocate a vegan perspective in this report, however this viewpoint needs to be taken seriously. Very large numbers of people, particularly in India, eat a vegan or near-vegan diet, and it is a good job they do, otherwise there wouldn't be enough meat to go round.

It is clear that if there is to be any prospect of feeding all the people of the world to a similar level of nutrition, then we in the UK will have to reduce our meat consumption considerably.

## Movement building

*'Come all ye workers, from every land,*

*Come, join in the Grand Industrial Band,*

*Then we our share of this earth shall demand.*

*Come on! Do your share like a man.'*

from 'There Is Power in a Union', Joe Hill US labour organiser and songwriter

## Creating a truly representative farmers' organisation in the UK

The National Farmer's Union does not represent the interests of the majority of the UK's small and family farmers. It is instead dancing to the tune of the biggest farmers and the food industry.<sup>220</sup> There are many organisations representing small and family farmers in the UK, including the Farmers' Union of Wales, Family Farmers Association, Small Farms Association, Small and Family Farms Alliance, Tenant Farmers Association, Farmers for Action and FARM, who are starting to develop a more radical analysis of the causes of the farming crisis, but no one organisation has yet gained the critical mass to take on the NFU.<sup>221</sup>

Perhaps the best way forward is for these organisations to find their common ground and form an alliance that will create a powerful rallying point for disaffected farmers.

## Forging relationships with farmers worldwide

Farmers around the world are fighting back. Small farmers from the Philippines and Brazil to France and Canada are mobilising to fight for their survival and are at the forefront of the movement against economic globalisation and the liberalisation of trade.<sup>222</sup> A common analysis of the causes of the global crisis in farming is crystallising among farmers and farmworkers in both the developing and industrialised world. This is helping to increase farmers' power and create a focus for building a stronger movement.<sup>223</sup>

Whether from despair or anger farmers around the world also seem increasingly ready to take direct action to challenge governments, wealthy landowners and multinational corporations; including the landless workers movement (MST) in Brazil, the Zapatistas in Mexico, landless farmers in Zimbabwe, French farmers' union Confederation Paysanne and Farmers for Action in the UK.<sup>224</sup> Some farmer movements have used direct action not just to highlight their cause and confront those in power, but in some cases also to embody the alternative agriculture and food system they want to see. Direct action is an effective way to make change happen; the landless peasants of the MST in Brazil have brought about substantive land reform by squatting and farming unused land.

## Building coalitions

The possibility of farmers gaining sufficient power to overturn the might of the multinational food corporations on their own is slim, especially in industrialised countries where farmer numbers are shrinking. The future lies in building an alliance between farmers, farmworkers, activists in the environmental and social justice movement, food industry workers and consumers, who share a common analysis of the causes of the farming crisis and are ready to work together to create systemic change and take back control of our food and agriculture systems.

# Conclusion

## Food Control or Food democracy?

# 8

Markets alone can't guarantee food democracy. They can't deliver enough food at the right place, price and time to meet the needs of all people. Poverty, hunger, malnutrition, declining biodiversity, contaminated food and water, soil erosion, the loss of small and family farmers and the rise of multinational food corporations are some of the consequences of a market-centred global food and agriculture policy.

Neither farmers nor consumers are benefiting from this arrangement; the big winners are the multinational food corporations who essentially control the food supply. But the industrialisation and globalisation of the food system is not unstoppable or inevitable. It is largely the consequence of food and agriculture policies made under pressure from powerful multinational corporations - policies that can be changed and institutions that can be dismantled if we choose to do so. There's a lot of work to be done, let's get on with it!

# 9

## Resources on Food and Farming



### **Agribusiness Accountability Initiative (AAI)**

Contact Peter O'Driscoll, Corporate Accountability Project, Center of Concern, 1225 Otis Street NE, Washington DC 20017 Tel: 001 202 635 2757 ext. 125 Email: [aai@coc.org](mailto:aai@coc.org).

[www.agribusinessaccountability.org](http://www.agribusinessaccountability.org)

AAI is a global network of activists, academics and NGO's who are working to respond to corporate power in the global food system. AAI aims to facilitate the sharing of information and analysis, to encourage new collaborations among groups with common interests, and to create opportunities for identifying new campaigns and advocacy strategies. The website has a very comprehensive searchable database of research papers and articles relevant to corporate power in the food system.

### **Coordination Paysanne Europeenne (CPE)**

Rue de la Sablonnière 18 1000, Brussels, Belgium Tel: 0032 2 217 31 12 Email: [cpe@cpefarmers.org](mailto:cpe@cpefarmers.org)

[www.cpefarmers.org](http://www.cpefarmers.org)

The European Farmer Co-ordination consists of 18 farmer and rural organisations from 11 European countries. CPE's priorities include: many sustainable family farms, economic recognition of farmers' work through the sale of their products, which must represent the major part of their income, sustainable modes of production respecting the quality and safety of the products and care of the environment, supply management, a fair distribution of public funds between farms, between sectors of production and between regions, balanced production among all the regions of Europe, a relation of solidarity with the farmers of Central Europe and other continents and the elimination of dumping in international trade. It is a founding member of Via Campesina.

### **Corporate Watch**

16b Cherwell Street. Oxford. OX4 1BG. Tel: 01865 791 391 Email: [mail@corporatwatch.org](mailto:mail@corporatwatch.org)

[www.corporatewatch.org.uk](http://www.corporatewatch.org.uk)

The Corporate Watch food and agriculture project looks at the impact of corporate control on the food and farming system. The agriculture pages of the website have profiles on supermarkets, food processors and food and farming lobby groups. Corporate Watch also publishes 'What's wrong with supermarkets?', 'Checkout Chuckout: a DIY guide to stopping supermarket developments' and 'Corporate law and structures: exposing the roots of the problem'.

### **Family Farmers Association**

Contact Pippa Woods, Osborne Newton, Aveton Gifford, Kingsbridge, Devon, TQ7 4PE Tel: 01548 852 792

Organisation representing family farmers which aims to lobby government and other influential bodies on the value of smaller family farms.

### **FARM: the independent voice of farmers**

PO Box 26094, London, SW10 0XZ Tel: 020 7352 7928 Email: [info@farm.org.uk](mailto:info@farm.org.uk)

[www.farm.org.uk](http://www.farm.org.uk)

A UK-wide campaigning and membership organisation fighting for a viable future for independent and family farms. Aims to protect and promote the interests of farmers, to get their voices heard by decision-makers, and to campaign for a positive future for farming, rural communities and the countryside

### **Farmers for Action**

Contact David Handley, Old Llanishen Farm, Llangovan, Monmouth, Monmouthshire, NP25 4BU Tel: 01291 690 224 Email: [secretary@farmersforaction.org](mailto:secretary@farmersforaction.org)

[www.farmersforaction.org/](http://www.farmersforaction.org/)

Set up in May 2000 by a group of farmers who wished to safeguard the long term future of British agriculture and the British countryside. Aims to secure a sustainable level of income for farmers and growers while producing quality food for British people and safeguarding the environment. Uses a number of methods including lobbying both government and industry and direct action.

### **Farmers' Union of Wales**

Llys Amaeth, Plas Gogerddan, Aberystwyth, Ceredigion, SY23 3BT Tel: 01970 820 820 Email: [headoffice@fuw.org.uk](mailto:headoffice@fuw.org.uk)

[www.fuw.org.uk](http://www.fuw.org.uk)

An independent farming union which represents and promotes the best interests of traditional family farms in Wales.

## Food Commission

94 White Lion Street, London, N1 9PF  
Tel: 020 7837 2250  
Email: [enquiries@foodcomm.org.uk](mailto:enquiries@foodcomm.org.uk)

[www.foodcomm.org.uk](http://www.foodcomm.org.uk)

An independent non-profit organisation campaigning for the right to safe, wholesome food and exposing the tricks and bad practices of the food industry. Publishes excellent quarterly, 'The Food Magazine'.

## F3 - Foundation for Local Food Initiatives / FLAIR project

PO Box 1234, Bristol, BS99 2PG Tel: 0845 458 9525 Email: [mail@localfood.org.uk](mailto:mail@localfood.org.uk)

[www.localfood.org.uk](http://www.localfood.org.uk)

A not for profit organisation providing consultancy services to the local food sector. Aims to promote and support the growth of healthy local food economies, as a key part of sustainable development. The website acts as an information resource for the local food sector. The FLAIR project produces a monthly email newsletter, 'Local Food News'.

## Friends of the Earth

26-28 Underwood Street, London, N1 7JQ  
Tel: 0808 800 1111 Email: [info@foe.co.uk](mailto:info@foe.co.uk)

[www.foe.co.uk/campaigns/real\\_food/](http://www.foe.co.uk/campaigns/real_food/)

FoE's Real Food campaign focuses on food safety including GM foods, trade issues, pesticide usage and the impact of supermarkets on farmers and consumers. Their website has lots of useful resources on food and farming issues.

## Grassroots Action on Food and Farming

16b Cherwell Street, Oxford, OX4 1BG

Tel: 01865 793 910 Email: [mail@gaff.org.uk](mailto:mail@gaff.org.uk)

[www.gaff.org.uk](http://www.gaff.org.uk)

GAFF carries out research in collaboration with Corporate Watch and also campaigns to curb the increasing corporate control of agriculture and the food system. It is working to facilitate the creation of new networks and alliances between farmers, farmers' groups, environmentalists and the public both in the UK and globally, to oppose the increasing corporate control of the food system and the demise of the small and family farm.

## Institute for Agriculture and Trade Policy (IATP)

2105 First Avenue South, Minneapolis, MN 55404, USA Tel: 001 612 870 0453  
Email: [iatp@iatp.org](mailto:iatp@iatp.org)

[www.iatp.org/](http://www.iatp.org/)

Promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy. IATP hosts extensive resource centres carrying news and analysis on: food and agriculture [www.agobservatory.org](http://www.agobservatory.org), trade issues: [www.wtwatch.org](http://www.wtwatch.org) and agribusiness [www.agribusinesscenter.org](http://www.agribusinesscenter.org).

## International Society for Ecology and Culture (ISEC)

ISEC UK, Foxhole, Dartington, Devon, TQ9 6EB  
Tel: 01803 868 650 Email: [info@isec.org.uk](mailto:info@isec.org.uk)

[www.isec.org.uk](http://www.isec.org.uk)

A not for profit organisation concerned with the protection of both biological and cultural diversity. ISEC's Local Food Programme promotes locally based alternatives to the global consumer culture and aims to raise public awareness of the impact of the globalisation of the food economy, in order to lay the foundations for community action and political change.

## National Family Farms Coalition

110 Maryland Ave., N.E. Suite 307. Washington, DC 20002, USA Tel: 001 202 543 5675  
Email: [nffc@nffc.net](mailto:nffc@nffc.net)

[www.nffc.net](http://www.nffc.net)

Founded in 1986 to serve as a national link for grassroots organisations working on family farm issues in the US. NFFC represents 34 grassroots groups working on credit, trade, farming and food policy issues in 32 states. The NFFC brings together farmers and others to organise national projects focused on preserving and strengthening family farms.

These include: farmer-owned co-operatives, advocacy for farm and trade policy based on cost of production plus profit pricing at the farm level, environmental stewardship, an affordable food supply and educational campaigns about biotechnology and corporate control of food production.

### **National Farmers' Union (Canada)**

2717 Wentz Avenue, Saskatoon, SK S7K 4B6

Tel: 001 306 652 9465 Email: [nfu@nfu.ca](mailto:nfu@nfu.ca)

[www.nfu.ca](http://www.nfu.ca)

A membership organisation for farm families sharing common goals and working together to benefit their farms and communities. NFU Canada works towards the development of economic and social policies that will maintain the family farm as the primary food-producing unit in Canada. It is concerned about the decimation of rural communities, growing environmental problems, declining farm numbers, and the sustainability of the current high-input, export-oriented, expansionist model. NFU Canada has taken a lead in advancing and implementing affordable, effective alternatives to current agricultural policies. It is working for agriculture that is economically, socially, and environmentally sustainable.

### **Small and Family Farms Alliance**

Contact: Michael Hart Tel: 01726 843 3647

Email: [michael@mhart.fsbusiness.co.uk](mailto:michael@mhart.fsbusiness.co.uk)

Alliance formed in 1999 to give voice to the concerns of small and family farmers in the UK. It also works in Europe through the Coordination Paysanne Europeenne and globally with farmer organisations around the world including Via Campesina. It also works with NGOs and environmental groups to help promote a better understanding of farming among non-farmers.

### **Small Farms Association**

Contact Philip Hosking, Ley Coombe Farm,

Modbury, Ivybridge, Devon, PL21 0TU

Tel: 01548 830 302

Email: [philip@small-farms-association.co.uk](mailto:philip@small-farms-association.co.uk)

[www.small-farms-association.co.uk](http://www.small-farms-association.co.uk)

Formed in October 1997, as a direct result of the reluctance of major farming unions to support the needs of small farms. The Association welcomes all who are interested in the conservation of the countryside, particularly farmers who farm less than 250 acres, and also practise less intensive traditional methods of farming that are sympathetic to the needs of the environment and its wildlife.

### **Soil Association**

Bristol House, 40-56 Victoria Street, Bristol,

BS1 6BY Tel: 0117 929 0661

Email: [info@soilassociation.org](mailto:info@soilassociation.org)

[www.soilassociation.org](http://www.soilassociation.org)

Works to raise awareness about the positive health and environmental benefits of organic food and farming, supports organic farmers and those planning to go organic and promotes organic agriculture as a sustainable alternative to industrial methods of food production. Also certifies organic food and farms.

### **Sustain: The alliance for better food & farming**

94 White Lion Street, London, N1 9PF

Tel: 0207 837 1228

[www.sustainweb.org](http://www.sustainweb.org)

Membership organisation with over 100 member organisations who have an interest in food and farming issues in the UK. It advocates food and agriculture policies and practices that enhance the health and welfare of people and animals, improve the working and living environment, enrich society and culture and promote equity.

### **Tenant Farmers Association**

7 Brewery Court, Theale, Reading, Berkshire

RG7 5AJ Tel: 0118 9306130

Email: [tfa@tenant-farmers.org.uk](mailto:tfa@tenant-farmers.org.uk)

[www.tenant-farmers.org.uk](http://www.tenant-farmers.org.uk)

The Tenant Farmers Association was formed in 1981 by a group of farmers who felt that their interests were not being forcefully represented by existing bodies. It gives help and advice to its members on all matters related to agricultural tenancies and lobbies the government on behalf of the tenanted sector.

### **Via Campesina**

Secretaría Operativa, Tegucigalpa, Apdo. Postal

3628MDC. Honduras, C.A. Tel: 00 504 239 4679

Email : [viacam@gbm.hn](mailto:viacam@gbm.hn)

[www.viacampesina.org](http://www.viacampesina.org)

An international movement which coordinates peasant organizations of small and middle-scale producers, agricultural workers, rural women, and indigenous communities from Asia, Africa, America, and Europe. The principal objectives of Via Campesina are to develop solidarity and unity in diversity among small farmer organizations, in order to promote economic relations of equality and social justice; the preservation of land; food sovereignty; sustainable agricultural production; and an equality based on small and medium-sized producers.

## Further Reading

# 10

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Bill Vorley (2003) *Food, Inc. Corporate Concentration from Farmer to Consumer*, UK Food Group; [www.ukfg.org.uk/docs/UKFG-Foodinc-Nov03.pdf](http://www.ukfg.org.uk/docs/UKFG-Foodinc-Nov03.pdf)

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## Glossary

# 11

**Commodity crop** - a raw material or primary product (e.g. soya beans, corn, pork) traded internationally either through a commodities exchange or in the cash market.

**Corporate Social Responsibility** - the idea that corporations can voluntarily consider the interests of society and the environment in their decision-making.

**Decoupling** - some EU agricultural subsidies are currently linked to production levels, the CAP review proposes that the link between subsidies and production be broken or 'decoupled'.

**Economies of scale** - the idea that larger-scale production is more efficient because it permits higher productivity, e.g. for farms larger scale permits specialisation, division of labour, optimised use of large pieces of machinery and better access to capital. The opposite consideration, 'diseconomies of scale', refers to the problems experienced as size increases which put a brake on productivity, e.g. loss of personal control by the farmer, greater complexity and bureaucracy and de-skilling of workers.

**Efficiency** - conventional economics describes efficiency only in terms of economic factors, so an 'efficient' farm is one that produces food at a relatively low unit cost. An alternative definition of an 'efficient' farm might be one that produces food sustainably i.e. at a relatively low level of resource use per unit of food produced.

**Enclosure of the Commons** - The 'commons' was the name used in medieval England to describe parcels of land used 'in common' by peasant farmers, who had rights to use common land to pasture their livestock, to take water from streams, ponds or wells and to take fuel wood and turf. The UK parliament passed a series of Enclosure Acts that stripped commoners of these property rights and by the end of the 18th century 99% of the land in England and Wales was owned by individuals.

**Export subsidies** - financial incentives given to exporters of products e.g. EU sugar exporters.

## A Rough Guide to the UK Farming Crisis

**Export dumping** - the practice of exporting products at below the cost of production, especially to developing countries, often made possible by export subsidies.

**Family farm** - there is no legal definition, but the term broadly refers to a farm which is not run by an institution or company and in which the farm household makes all the significant management decisions, owns most of the assets and provides a significant proportion of the labour.

**Farmgate price** - the price paid to farmers for their produce.

**Food clusters** - the ownership by one company, or by a number of companies that have made a strategic alliance, of businesses at each level of the food system so that they have control of the food system from 'field to fork'.

**Food democracy** - see 'food sovereignty'.

**Food miles** - the distance agricultural produce travels from producer to consumer

**Food security** - The ability of a national government to feed its population. 'Food that is available at all times, that all persons have means of access to it, that is nutritionally adequate in terms of quantity, quality and variety, and that is acceptable within the given culture.'<sup>225</sup>

**Food sovereignty** - '*... the right of people to decide their own agriculture and food policy. It is the right to protect and regulate domestic agricultural production and trade in order to achieve sustainable development objectives, to determine the extent to which they want to be self reliant, and to restrict the dumping of products in their markets. It does not negate trade, rather it promotes it in a way that serves the rights of people to safe, healthy and ecologically sustainable production.*'<sup>226</sup>

**Free trade** - the liberalisation of markets by the removal of barriers to trade including tariffs on food imports, production subsidies and export subsidies

**Ghost hectares** - the extra land (generally in the developing world) needed to support developed country demands for food or animal feed.

**Globalisation** (of the food system) - the increasingly international trade in agriculture and food products.

**Headage payment** - a direct payment to EU farmers per head of cattle and sheep produced.

**Horizontal integration** - the concentration of market power at each level of the food and agriculture industry, with control of each sector from seeds, fertilisers and machinery to processing, transportation and retailing in the hands of a small number of corporations.

**Industrialisation** (of farming) - the transformation of farming so that it more closely resembles a manufacturing industry; the creation of larger farms, a reliance on inputs manufactured off the farm (fertilisers, pesticides, machinery), the displacement of labour by capital (machinery and purchased inputs), the specialisation of labour and the mechanisation of production methods.

**Intensification** - the use of increasing levels of inputs (e.g. farm machinery, chemicals and fertilisers) and the related increase in output per acre.

**Monoculture** - the cultivation of a single crop in a field, farm or region.

**Multinational corporation** - company with operations in more than one country

**Oligopoly** - a market in which a small number of sellers (agrochemical corporations, supermarkets) exert power over a large number of buyers (farmers, consumers).

**Oligopsony** - a market in which a small number of buyers (food corporations) exert power over a large number of sellers (farmers).

**Polyculture** - the cultivation of a mixture of crops, utilising different root depths, plant heights or nutrients, on the same piece of land simultaneously.

**Price discovery** - the process of determining the market price of a product through the interactions of a buyer and a seller in an open marketplace.

**Production subsidy** - agricultural payment to farmers linked to production levels e.g. the amount of cereals subsidy paid to farmers is determined by the amount of land the farmer is growing cereals on.

**Small farm** - In the UK there is no legal definition of a small farm and the term 'small farm' is not recognised by the UK government. The Small and Family Farms Association defines a small farm in the UK as a farm of less than 250 acres (approx 100 hectares).

**Structural adjustment programme** - requirements imposed by international lending institutions such as the World Bank and the International Monetary Fund on developing countries as a condition of loans. The conditions are ostensibly aimed at stabilising economies but rely on neo-liberal economics and often have the opposite effect, e.g. reducing import tariffs, scrapping public commodity procurement boards, promoting exports and other measures to liberalise trade.

**Sustainable agriculture** - agriculture that is capable of meeting the needs of the present without diminishing the ability of those of future generations to meet their needs.

**Trade liberalisation** - see 'free trade'.



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# 12

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# A Rough Guide to the UK Farming Crisis

Farming is in crisis. Farmers complain that despite subsidies they cannot make ends meet, that they are paid less than production costs and many are being driven into bankruptcy.



Meanwhile environmentalists rail against farmers, complaining that they abuse the land with pesticides and monocultures, mistreat their animals, and produce food in a way that is unnatural and unhealthy.

In this briefing we argue that both the farmers and the environmentalists are, broadly speaking, correct; that the farm income crisis and the environmental failings of farming are attributable to precisely the same economic causes - the globalisation and liberalisation of the trade in food and the concentration of market power in the hands of a small number of multinational food corporations.

Farmers and environmentalists, instead of accusing each other, should be working together to address these causes and to create a truly democratic and sustainable food system.

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