

*Andrew Cartwright and Nigel Swain**

'Finding Farmers': Vital for Policy-Makers but Politically Inexpedient

Abstract

The article takes the form of a speculation on the relationship between science, policy and politics in three sections. The first considers how sociologists have distinguished between 'peasants' and 'farmers.' The second addresses the CAP and why it might make sense to introduce such a distinction within it. The third ponders why such a radical change to the CAP is politically unlikely.

Keywords: Common Agricultural Policy, Rural Development, CEECs, Peasants.

This article derives from research carried out by the authors in 2001 and 2002 sponsored by the UK's Economic and Social Research Council.¹ The more detailed findings of the project have been reported elsewhere.² This paper deals with more speculative issues which emerged from it, in particular the gulf that exists between scientific research and policy formulation in relation to the Common Agricultural Policy (CAP) of the European Union (EU). The paper first discusses some of the sociological literature on how distinctions can be made between 'peasants' and 'farmers.' It then considers EU practice as the CAP has developed, concluding that there are rather good reasons for Europe, north, south, east and west, to distinguish in policy terms between 'peasants' and 'farmers,' noting, however, that this would require fundamental reform of the principles of the CAP. Finally it considers the CAP's resilience to radical reform in the context of the accession negotiations of the countries of Central and Eastern Europe, and the emer-

* Centre for Policy Studies, Central European University, Budapest and Centre for Central and Eastern European Studies, University of Liverpool respectively.

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² See <http://www.liv.ac.uk/history/centres/cecurre.htm>.

gence of a new dimension to the German agricultural lobby, the most important actor in the politics of CAP reform.

Distinguishing between Peasants and Farmers Analytically

The focus here will be on the 'other,' what peasants are not, for there is a consensus from the earliest of writings that part of what defines peasants is that they are 'outside' society. An early reference to peasants in this light is Redfield's use of the term 'part society,' the title of a chapter in his *Peasant Society and Culture*,³ and a term that he takes from Kroeber⁴ who stresses the peasant's links to market towns and their nature as 'part societies' and 'part cultures.' But for Redfield and Kroeber the nature of this link with the wider society is not explored. It is important that it is there, but it is not considered at length.

Just under twenty years later, in the 1970s when Peasant Studies enjoyed something of a vogue, Teodor Shanin returned to the task of defining the peasantry, and again included external relations as part of the definition. In Shanin's conception, there are four dimensions to the peasantry.

- i) Peasant farm as the basic multi-dimensional unit of social organisation.
- ii) Land husbandry as the main means of livelihood.
- iii) Specific cultural patterns linked to the way of life of a small rural community.
- iv) The 'underdog' position – the domination of the peasantry by outsiders.⁵

The debate on the nature of the peasantry in the latter half of the 1970s and early 1980s took a massive Marxist theoretical detour, and, again, at the heart of the matter was the relationship to larger society. The issues were twofold: was there a peasant 'mode of production' at all, a literature based around critiquing the works of Chayanov,⁶ and, if there was not, how

³ R. Redfield, *Peasant Society and Culture*, Chicago, Chicago University Press, 1956, pp. 29 & 35–66.

⁴ A. L. Kroeber, *Anthropology*, New York, Harcourt and Brace, 1948, p. 284.

⁵ Teodor Shanin (ed.), *Peasants and Peasant Societies*, Oxford, Basil Blackwell, 1987, pp. 3–4.

⁶ See for example Judith Ennew, Paul Hirst and Keith Tribe, '“Peasantry” as an economic category,' *Journal of Peasant Studies*, 4, 4 (1977), pp. 295–322; Mark Harrison, 'The peasant mode of production in the work of A. V. Chayanov,' loc.cit., pp. 323–36; Utsa Patnaik, 'Neo-populism and Marxism: the Chayanovian view of the agrarian question and its fundamental fallacy,' op.cit., Vol. 6, No. 4 (1979), pp. 375–420; Mark Harrison, 'Chayanov and the Marxists,' op.cit., Vol. 7, No. 1 (1979), pp. 86–100; Veronika Bennholdt-Thomsen, 'Subsistence production and extended reproduction. A contribution to the discussion about modes of production,' op.cit., Vol. 9, No. 4 (1982), pp. 241–254; and Gavin Smith, 'Reflections on the social relations of simple commodity production,' op.cit., Vol. 13, No. 1 (1985), pp. 99–108. His classic statement is A. V. Chayanov, *The Theory of Peasant*

did peasants relate to the larger society – could they form some sort of semi-autonomous zone of household production within the capitalist (or socialist) mode of production, or would they, as the Marxists classical texts of Lenin and Kautsky, be converted into agricultural capitalists and agricultural proletarians as was the case in other sectors of the economy.⁷ In reality, as Djurfeldt among others has pointed out,⁸ the Marxist account proved to be wrong,⁹ although this empirical refutation did not stop some from continuing to support the theory in the face of the evidence.¹⁰

Yet for all the theoretical abstraction of this era of peasant writings, some important points were made about the nature of the relationship to external society. A recurring theme in the definition of the peasantry is subsistence rather than market orientation of production and a change in the conception of land as something more akin to capital than traditional patrimony. This sort of distinction is central to the writings of Ferenc Erdei, a Hungarian rural sociologist of the inter war years,¹¹ and to Redfield. When describing 'bourgeois peasants,' Erdei states that 'Their farms are agricultural enterprises. They make extensive use of machinery. They specialise. Land has become capital, not the basis of peasant security.'¹² Redfield calls peasants those whose 'agriculture is a livelihood and a way of life, not a business for profit. We might say that those agriculturalists who carry on agriculture for reinvestment and business, looking on land as capital and commodity, are not peasants but farmers.'¹³

Writing (then) within the Marxist tradition, and in the context of a renewed interest in the household economy (where producers and consumers

Economy, edited by Daniel Thorner, Basile Kerblay, R. E. F. Smith, with foreword by Teodor Shanin, Manchester, Manchester University Press, 1986.

⁷ For accessible analyses of the views of Lenin and Kautsky on the peasantry, see David Mitrany, *Marx against the Peasant*, New York, Collier, 1961, pp. 47–50 & 66–75 and Howard Newby, 'The rural sociology of advanced capitalist countries,' in Howard Newby (ed.), *International Perspectives in Rural Sociology*, Chichester and New York, John Wiley & Sons, 1978, pp. 6–11.

⁸ Göran Djurfeldt, 'Family farmers and classical conception versus the experience of monopoly capitalism,' in Shanin, *op cit*, pp. 125–9.

⁹ For a classic discussion of Marxist misunderstanding of the peasantry, see Mitrany, *Marx...*

¹⁰ Tom Brass, 'Moral economists, subalterns, new social movements, and the (re-)emergence of a (post-)modernised (middle peasant),' *Journal of Peasant Studies*, Vol. 18, No. 2, January 1991, pp. 173–205.

¹¹ Ferenc Erdei, *Magyar Parasztársadalom*, Budapest, Franklin Co., 1942. For an English summary of this work see Nigel Swain, *A Presentation of Ferenc Erdei's Hungarian Peasant Society*, University of Liverpool, CCEES Working Papers, Rural Transition Series No. 2, http://www.liv.ac.uk/history/centres/cee_pdfs/WP02v2.pdf.

¹² Swain, *Ferenc Erdei...*, pp. 10–11.

¹³ Redfield, *Peasant Society...*, p. 27.

are the same) both in relation to Chayanov's *Theory of Peasant Economy* and the women's movement's interest in gender relations within the households (the wages for housework debate and so on), Harriet Friedmann sought to be more rigorous in the analysis of this step from peasant to commercial agriculture, to flesh out more fully Shanin when he says 'Peasant-into-farmer development is linked to massive investment which ties the family farmer into capitalist economy via credit, supplies and sales, often organised by agri-business. The capital-intensive farmer becomes more productive but also finds himself subsumed thereby under Big Business dynamics and controls.'¹⁴ For Friedmann, both peasants and farmers (like any other family businesses) are household economies, but peasants are not engaged in commodity production at all, while farmers are 'simple commodity producers.' They are 'simple' commodity producers, not because the commodities were simple, but because, in Marxist terminology, they were produced within the 'simple' circuit of commodities (commodity-money-commodity) rather than the capitalist circuit of commodities (money-commodity-more money),¹⁵ the crucial difference between the two being that labour is exploited in the latter, while it is not in the former because no labour is employed. Simple commodity producers are fully integrated into the capitalist economy and the circuit of commodities, but they behave rather differently because they are 'self-exploiters' of their own labour rather than capitalist exploiters of the labour of others.

Thus, for Friedmann, 'If access to land, labour credit, and product markets is mediated through direct, non-monetary ties to other households or other classes, and if these ties are reproduced through institutionally stable reproductive mechanisms, then commodity relations are limited in their ability to penetrate the cycle of reproduction. For expositional simplicity, households whose reproduction occurs through communal and particularistic class relations are provisionally called 'peasants'.¹⁶ 'Commoditisation occurs to the extent that each household is severed from direct reciprocal ties, both horizontal and vertical, for the renewal of means of production and of subsistence, and comes to depend increasingly on commodity relations for reproduction.'¹⁷ 'The end point of commoditisation is simple commodity production – the complete separation of the household from all ties except those of the market.'¹⁸ 'Commoditisation may be measured as the proportion of goods purchased at market determined prices for produc-

¹⁴ Shanin, *Peasants...*, p. 7.

¹⁵ Karl Marx, *Capital*, Volume I, London, Lawrence and Wishart, 1970, pp. 146–155.

¹⁶ Harriet Friedmann, 'Household production and the national economy: concepts for the analysis of agrarian formations,' *Journal of Peasant Studies*, 7, 2 1980, p. 163.

¹⁷ Friedmann, 'Household production...', pp. 162–163.

¹⁸ Friedmann, 'Household production...', p. 163.

tive and personal consumption over time. Mobility of labour, land and credit may be measured as the uniformity over time and across areas of wages, rents and interest rates, allowing for differences in skill, fertility and location, risk, and so on.'¹⁹ 'Commoditisation of households can take place only within a context of high mobility of land, labour and credit.'²⁰ 'In simple commodity production, survival of the enterprise requires adaptation to changes in relative prices and increases in productivity and organic composition, while in peasant production, such changes are often unnecessary and even impossible.'²¹ 'Simple commodity production, by contrast, is governed by market-determined prices for inputs as well as commodities sold.'²² 'Peasants' are defined negatively and provisionally by the resistance of their reproduction to commoditisation, which in turn rests on immobility of labour, land, and credit within the larger economy.'²³

Friedmann has been cited at length because she focuses on the nature of the relationship of peasants and farmers to the market economy: peasants are outside it in a refuge where factors of production are immobile, while farmers are in it, and in it is a multi-faceted relationship affecting land, machinery and markets. As she says, 'The most usual distinction between "peasants" on the one side and "farmers" or "entrepreneurs" on the other, is the ratio of subsistence to commodity production. This distinction is purely quantitative, and thus arbitrary and descriptive.'²⁴ She proposes a more sophisticated approach, and one, as she insists, which is measurable. The distinction, for her, between a peasant and a farmer is not about percentages of sales but degrees of embeddedness within market relations for factors of production as well as marketing strategies. Peasants, inhabitants of a part society, do not buy inputs on credit and do not buy machinery on credit. Their implements are therefore necessarily simple and 'traditional,' seed corn is re-used. Farmers produce for the market, take out loans, but the cost is that they cannot ignore the market. Retreat from the market, re-peasantisation (to adopt a term discussed below) is difficult, although not impossible.

The farm family businesses that Gasson and Errington describe are certainly not outside the market economy.²⁵ They are complex businesses, yet nevertheless engaged in 'simple commodity production' because of their reliance on family labour. They are deeply involved in the financial

¹⁹ Friedmann, 'Household production...', p. 174.

²⁰ Friedmann, 'Household production...', p. 163.

²¹ Friedmann, 'Household production...', p. 165.

²² Friedmann, 'Household production...', p. 168.

²³ Friedmann, 'Household production...', p. 170.

²⁴ Friedmann, 'Household production...', p. 163.

²⁵ Ruth Gasson and Andrew Errington, *The Family Farm Business*, Wallingford CAB International, 1993.

mechanisms of the market, because it is that involvement with the market that makes this sort of technological farming possible. For them, farming is a family business, and the chief characteristics of that business are as follows.

1. Business ownership is combined with managerial control in the hands of business principals.
2. These principals are related by kinship or marriage.
3. Family members (including these business principals) provide capital to the business.
4. Family members including business principals do farm work.
5. Business ownership and managerial control are transferred between the generations with the passage of time.
6. The family lives on the farm.²⁶

This distinction between peasants and farmers in terms of market engagement seems to be sustainable: it is analytically useful and corresponds to our everyday understanding of the term. Nevertheless van der Ploeg and his colleagues have recently talked about a re-peasantisation of farmers.²⁷ In their conception, all household production units enjoy flexibility with regard to substitution of activities and this flexibility, the ability to switch products, withdraw temporarily from the market, or at least one or other market, is a 'peasant' characteristic. Their contrast in particular is between old-fashioned agricultural entrepreneurs who were tied into highly specialised, single crop production, with 're-peasantised' farmers who reduce inputs and diversify outputs, 're-grounding... productive activities in relatively autonomous and historically guaranteed types of reproduction.'²⁸ While it is certainly true that this sort of relative autonomy is a characteristic of a household-based, relatively small-scale production unit, it seems to be stretching the term 'peasant' excessively to consider such producers as peasants. They are 'simple commodity producers' in the Marxist terminology, or family businesses in the more conventional vocabulary, which enjoy a certain flexibility in relation to capitalist businesses; but they are in no way 'peasant' in terms of traditional analyses. Their specificities can be analysed and understood without pirating a term which has a set of very different associations. 'Re-peasantisation' is a much more radical, and historically rarer event than a family farming business changing strategy and deciding to diversify, which is what van de Ploeg and his colleagues appear to be describing.

²⁶ Gasson and Errington, *Family Farm Business...*, p. 18.

²⁷ Jan Douwe van der Ploeg, Henrik Renting, Gianluca Brunori, Karlheinz Knickel, Joe Mannion, Terry Marsden, Kees de Roest, Eduardo Sevilla-Guzmán, Flaminia Ventura, 'Rural development: from practices and policies towards theory,' *Sociologia Ruralis*, Vol. 40, No. 4 (October 2000), pp. 391-408.

²⁸ Van der Ploeg et al., 'Rural development...', p. 403.

A more recent slant on peasants and the external world has been to turn the lens around and look at what the external society views as peasant, interpreting it as a concept of political and ideological exclusion. This is the approach adopted by Leonard and Kaneff in their recent study of post-socialist peasants, where a more genuine form of 're-peasantisation' might be seen to be taking place. 'How the term peasant is used, by whom, and when, reveals much about people's self-conception and how they see themselves as fitting into fundamental historical processes. ' In their account, many of the 'losers' in the post-socialist transition are being defined as 'peasants' and are defining themselves as 'peasants' as they seek refuge from and resistance to the market society in which they have 'failed.'²⁹

Despite Djurfeldt's perhaps exaggerated criticisms of the Gasson and Errington approach and his case for retaining Chayanov and the centrality of family labour,³⁰ a working definition of 'farmers' can be as agriculturalists who run commercial family farming businesses, which are integrated into the market economy. 'Peasants' are agriculturalists whose agricultural activities are not defined by market relations, because, from whatever motivations, they remain outside the market.

It should be stressed that this definition does not mean that 'farmers' should be full-time farmers. Part-time agriculturalists can be either 'peasants' or 'farmers,' just like their full-time counterparts. If part-time agriculturalists operate within the market economy, they are 'farmers.' If their non-agricultural production is an adjunct of life-strategies which aim at subsistence and refuge from the market economy, they are 'peasants.' Imre Fertő has made an interesting point in this regard.³¹ Much of his article on the structural difference between western and eastern agriculture focuses on size of undertaking (both bigger and smaller) and the employment of wage labour, topics touched on by many in this field,³² but he also addresses part-time farming. His point, paraphrasing slightly, is that in the West (and this

²⁹ Pamela Leonard and Deema Kaneff (eds.), *Post-Socialist Peasant?*, Palgrave, 2001.

³⁰ Göran Djurfeldt, 'Defining and operationalising family farming from a sociological perspective,' *Sociologia Ruralis*, Vol. 36, No. 3, December 1996, pp. 340–351. Andrew Errington, 'A comment on Djurfeldt's definition of family farming,' loc. cit., pp. 352–355.

³¹ Imre Fertő, *A Magyar Mezőgazdaság Strukturális Problémái az Európai Unióhoz Való Csatlakozás Tükrében*, Budapest, Magyar Tudományos Akadémia Közgazdaságtudományi Kutatóközpont, Műhelytanulmányok 1999, No. 2.

³² See for example Nigel Swain, 'Agricultural restitution and co-operative transformation in the Czech Republic, Hungary and Slovakia,' *Europe-Asia Studies*, Vol. 51, No. 7, 1999, pp. 1199–1219, Alexander H. Sarris, Tomáš Doucha and Erik Mathijs, 'Agricultural restructuring in Central and Eastern Europe: implications for competitiveness and rural development,' *European Review of Agricultural Economics*, Vol. 26, No. 3, (1999), pp. 305–329, Alain Poulighen, *Competitiveness and Farm Incomes in the CEEC Agri-Food Sectors*, European Commission, October 2001 http://europa.eu.int/comm/agriculture/publi/reports/ceeccomp/index_en.htm.

is probably truer of northern than southern Europe), pluriactivity emerged from commercial farming which was feeling the squeeze; it is market oriented and tends to be capital intensive. In the East, on the other hand, pluriactivity tends to be the continuation of a subsistence oriented, labour intensive agriculture.

Part-time farming is a fact of European farming. It was 'discovered' in the 1970s and spawned a succession of reports³³ and, in the UK case, another classic work by Ruth Gasson.³⁴ But it is a fact of European farming that is politically charged and, still, under-researched. Indeed a country like France with a strong farming lobby has boycotted Eurostat attempts to provide systematic farm data on non-agricultural incomes of European farmers,³⁵ perhaps because the evidence available suggests that when total incomes are considered, farmers are relatively well off and the levels of subsidies provided by the CAP questionable.³⁶ A recent study of farm household incomes in the OECD countries reinforced this view in concluding that 'farm households enjoy, on average, income levels that are close to those in the rest of society... Farm households derive a significant share of income from off-farm sources.'³⁷ Despite attempts to wish away pluriactivity, the point is that pluriactivity versus full-time activity is a different dimension. The agricultural side of pluriactive 'farmer' is commercial, while that of the pluriactive 'peasant' is not. The nature of the farming activities of a full-time farmer is likely to be different from that of a part-time farmer, just as beef farmers will differ from arable farmers, but all are actively engaged as 'simple commodity producers' or family businesses in the market economy.

³³ See for example: OECD, *Part-time Farming in OECD Countries*, OECD, Paris, 1978; Ernst C. Zurek, 'Part-time farming in the Federal Republic of Germany,' *Sociologia Ruralis*, Vol. 26, No. 3/4 (1986), pp. 378-384; William Sander, 'Off-farm employment and income of farmers,' *Oxford Agrarian Studies*, Vol. 12, No. 1 (1983), pp. 34-47; Laurent Martens, 'Part-time farming in developed countries,' *European Review of Agricultural Economics*, Vol. 7 No. 4 (1980), pp. 377-393; N. Mackinnon, J. M. Bryden, C. Bell, A. M. Fuller and M. Spearman, 'Pluriactivity, structural change and farm household vulnerability in Western Europe,' *Sociologia Ruralis*, Vol. 31, No. 1 (1991), pp. 58-71; Anthony M. Fuller, 'From part-time farming to pluriactivity: a decade of change in rural Europe,' *Journal of Rural Studies*, Vol. 6 No. 4 (1990), pp. 361-373.

³⁴ Ruth Gasson, *The Economics of Part-time Farming*, Harlow, Longman, 1988.

³⁵ Berkely Hill, 'Farm households as agents in rural development: evidence from patterns of household incomes', incomes' *Revista de desarrollo rural y cooperativismo agrario*, No. 2, 1997 (on-line journal, no page references, <http://cederul.unizar.es/revista/inicio.htm>, Centro de Documentación sobre Desarrollo Rural (CEDERUL), Universidad de Zaragoza, section 4.

³⁶ Hill, 'Farm households....' section 3.6.

³⁷ OECD, *Farm Household Income: Issues and Policy Responses*, Paris, OECD, 2003, p. 7.

The CAP and Farmers

TENSIONS WITH THE CAP

The CAP, unsurprisingly given its origins, sees no need to differentiate between 'farmers' and 'peasants.' France in the 1950s and 1960s was a country of small-scale farmers, and it was a country for which Poujadism was an all too recent memory. France dominated the negotiations, and for the French government, the policy imperative was a simple policy which could be applied uniformly, and one which did not involve government officials prying into the finances of the agricultural petty bourgeoisie. An 'income deficiency payment' scheme, such as that used in the UK, was a non-starter. A simple system based on marketed produce was a neater solution; and this is what was agreed.

If the underlying principles of the chosen scheme reflected contingent developments in French politics, the level of support agreed at the Stresa Conference in 1958, and the systems of intervention purchasing to maintain price levels agreed over the following decade were equally historically specific: the need to provide food security for a Europe which still had memories of wartime deprivation, and the political compromise between German industry and French agriculture which underpinned the dream of the European Economic Community itself.³⁸ All agricultural producers who marketed their produce benefited from this scheme whatever the size of their undertaking, although the general rule of thumb in EU schemes was that farmers had to have a minimum of one hectare of land.

During the protracted post-war economic boom, the period which Eric Hobsbawm refers to as the 'Golden Age,'³⁹ which lasted until the mid 1970s, the policy worked rather well, particularly in the European 'north.' The boom permitted substantial reductions in the agricultural labour force and relatively rapid rates of employment growth in other economic sectors. One of the main goals of the CAP was improving farmers' incomes and maintaining peasant and family farm populations.⁴⁰ This could be achieved when the total number of such families was falling. Its other goals (raising

³⁸ A good source of general information on the European Union and its policies is Timothy Bainbridge, *The Penguin Guide to the European Union*, Harmondsworth, Penguin, 1995 and 1998. See also Wyn Grant *The Common Agricultural Policy*, Basingstoke, Macmillan, 1997, pp. 63–82.

³⁹ Eric Hobsbawm, *The Age of Extremes: the Short History of the Twentieth Century, 1914–1991*, London, Abacus, 1995.

⁴⁰ Much of the following is informed by W. van den Bor, J. M. Bryden and A. M. Fuller, *Rethinking Rural Human Resource Management: The Impact of Globalisation and Rural Restructuring on Rural Education and training in Western Europe*, Wageningen, Mansholt Institute, Mansholt Studies 10, 1997.

food supplies and levels of self-sufficiency, relieving balance of payment problems, raising agricultural efficiency and stabilising farm gate prices) were equally successful. There was a dramatic increase in self-sufficiency between the early 1970s and mid 1980s: levels of imports from other countries were reduced, and subsidised exports to third countries increased.

But, by the end of the 1970s, negative features began to emerge, as these production support measures proved too effective. A proliferation of schemes to dispose of surpluses had to be developed and, for some products, increasing quantities of stocks – ‘wine lakes’ and ‘butter mountains’ – were held in intervention stores. By the late 1970s and early 1980s, the post war policy consensus was in the process of breaking down under the combined pressure of the weight of the food surpluses, the cost of the support regimes, growing unemployment elsewhere in the economy, doubts about environmental and rural development effects of intensive agriculture and the policies which supported it, and international pressures within the framework of the General Agreement on Tariffs and Trade (later the World Trade Organisation).

An additional concern was that the CAP disproportionately favoured the big farmer, the farmers of the ‘north,’ (more accurately in terms of geography perhaps the lowland core), the Netherlands, Denmark, East Anglia in England, the Paris basin, parts of Germany and the Po Valley in Italy. Agricultural price-based support inevitably disproportionately favoured the few large commercial farmers who produced the bulk of the food. Indeed, it was widely accepted, by the 1990s, that roughly one-fifth of all farmers in the European Union produced some 80 per cent of the food and absorbed roughly the same proportion of the Common Agricultural Budget. The majority 80 per cent of farmers, with smaller, less productive farms, had to make the best they could with the remaining 20 per cent of subsidies. Wyn Grant has declared this Pareto ratio a ‘factoid,’⁴¹ yet a recent report confirmed that the CAP still accounts for 46 per cent of the EU budget, down from two thirds, and that seven per cent of beneficiaries receive 50 per cent of payments (a figure that reduces to five per cent if the special case of Greece is excluded), and that about 70 per cent of farmers receive less than 5000 euro a year and about half receive less than 2000 euro (96 per cent of all farmers in Portugal fall into the less than 5000 euro a year category). On the other hand, a small group of fewer than two thousand producers receive more than 300,000 euro a year (the level at which the Commission proposes to cap payments).⁴²

⁴¹ Reported on Wyn Grant’s web page, <http://members.tripod.com/~WynGrant/WynGrantCAPpage.html>.

⁴² European Commission, *European Agriculture Entering the 21st century, Chapter 3 Expenditure and Support for the Agricultural Sector in the EU*, October 2002.

With slowing growth rates from the mid-1970s onwards as the 'golden age' came to an end, more labour remained in the countryside, but it could not all find employment in agriculture. The CAP could no longer rely on dramatically falling agricultural populations to square the circle. One impact of this was that smaller farms were less responsive to such support for structural change as was available, for the CAP did contain an element for structural reform. In its original conception, in fact, it had been anticipated that 75 per cent of funds should go to production support and 25 per cent to structural support, although in reality the ration was always nearer 95:5. The results of early structural measures, however, were somewhat disappointing, and it was the large farms of the 'north' that were affected most by it. 'Southern' farms were less responsive. The rate of loss of holdings between 1983 and 1987 was over four times higher (18 per cent) in the north than in the south (4 per cent). Agricultural labour in the south fell by only 1 per cent between 1979/1980 and 1987, compared with 18 per cent in the north. In fact, differentials in farm size, labour intensity, and land and labour productivity between the 'north' and 'south' intensified during the 1980s.⁴³

Partly because of the failure of the CAP to address the problems of the smaller 'southern' farmers, extensive changes took place away from agriculture, influenced more by general market policies, the changing economic context, particular labour market changes in different regions, and increasing demands for rural tourism and recreation than agricultural and rural policy initiatives. In many regions of Europe, there was a decline in agricultural dependence and a growth in other activities, that is to say a growth in the pluriactivity discussed in the first section. Farming towards the end of the century, thanks to changes in the economy rather than government policy instruments, became 'about much more than the production of food, drink and fibre, it is about any income earning activity using the use of farm-based resources including household labour.'⁴⁴ This in turn became associated with pressures to move European policy towards rural development with the 'Cork Declaration' of the European Conference on Rural Development in 1996, Agenda 2000, the most radical and wide-ranging reform of the CAP in its history in the view of the Commission, and the emergence of rural development as the 'second pillar' of the CAP. But the details of Agenda 2000 and similar documents with a rural development component revealed a very restricted conception of rural development. The rural development headings offered to the accession countries in 2002 (and they were offered a relatively generous rural development budget, 50 per cent more than the EU norm, offering up to 80 per cent financing under

⁴³ Van den Bor et al., *op.cit.*, p. 47.

⁴⁴ Van den Bor et al., *op.cit.*, p. 29.

SAPARD) are symptomatic. They included: early retirement of farmers; support for less favoured areas or areas with environmental restrictions; agri-environmental programmes; afforestation of agricultural land; specific measures for semi-subsistence farms (a flat rate of a maximum of 750 euro conditional on submitting a business plan demonstrating the future viability of the enterprise); setting up of producer groups; and technical assistance.⁴⁵ Rural development, the 'second pillar' of the CAP, has a distinctly agricultural bias.

Reviewing European policies of the last decades reveals an inner tension. The majority of subsidies continue to be production related and go to the biggest farmers; and, where they have been 'decoupled' from production, the direct, compensatory payments remain related to the size of farm, and still go predominantly to larger farmers. Rural development policies on the other hand, which might benefit smaller farmers and the rural poor, do not have a direct payment component, and retain a farming bias. The new slogan of 'multi-functional agriculture' usurps some of rural development agenda, but for the benefit of farmers only, or at least predominantly. They do not relate to rural development initiatives of non-farmers, not least because the support comes from the agricultural budget, which farm lobbyists are reluctant to see shared with other sections of the rural population. Why should what is seen as agricultural money support hairdressers (coiffeurs) rather than farmers (agriculteurs), as Laurent Van Depoele was asked in the build-up to Agenda 2000.⁴⁶

A more consistent approach to the 'north-south' dichotomy of European agriculture and the contradictions of the CAP might be a reshuffling of these policy elements – retain agricultural production support at a reduced level for 'northern' farmers, and promote rural development policies, including a direct payment element, for 'southern' farmers (for whom farming is increasingly marginal) and the rural poor. Such an approach, however, does not take into account the mechanics of policy formation within the European Union, the strength of the farming lobbies and their political ideology. Ironically, despite the failure of the CAP to support them, and their increasing dependence on activities outside agriculture, it is small family farmers who constitute the ideological and political basis for the status quo and its system of price-based agricultural support. The farm lobbies of west European countries successfully mobilise political support

⁴⁵ European Commission, *Enlargement and Agriculture: Successfully integrating the new Member States into the CAP: Issues Paper*, Brussels, 30.1.2002, SEC (2002) 95 final.

⁴⁶ This example has been used in a number of forums. See Laurent Van Depoele, 'The European model of agriculture (EMA) multifunctional agriculture and multisectoral rural development,' [in:] Graham Dalton et al. (eds.), *European Rural Policy at the Crossroads: Selected Conference Papers*, Arkleton Centre, University of Aberdeen, 2003, pp. 47–49.

for agricultural policies which disproportionately favour the big, 'northern' farmer by invoking the needs of the small farmer, the 'peasant,' for whom farming is becoming in reality increasingly marginal.

THE CAP AND THE DUALIST STRUCTURE OF CENTRAL AND EASTERN EUROPEAN AGRICULTURE

It is now a common place, more than a decade after the 'change of system' in Central and Eastern Europe, to comment that the countries of the region have retained much of their former dualist structure.⁴⁷ The agricultural structure of these countries does not 'fit' western norms. One way of illustrating this is looking at the results of the first attempt to apply the Farm Structure Survey (FSS) and Farm Accountancy Data Network (FADN) methodology of the EU to Hungary.

Table 1

Results of Hungary's first attempt to apply FADN categories
to Hungarian agriculture

Size Category	Category Limits ESU	Upper limit Euro	No. of 'farms'	Per Cent	% of Standard Gross Margin
I	< 2	2,400	873,332	90.6	23.0
II	2-4	4,800	50,224	5.2	8.7
III	4-6	7,200	15,942	1.6	4.8
IV	6-8	9,600	7,654	0.8	3.3
V	8-12	14,400	6,832	0.7	4.2
VI	12-16	19,200	2,980	0.3	2.6
VII	16-40	48,000	4,307	0.4	6.5
VIII	40-100	120,000	1,539	0.2	5.8
IX	100-250	300,000	790	0.1	8.0
X	250 >		860	0.1	33.1
Total			964,460	100	100

Source: Gabor Kovács, 'Mérethatárok és lefedettség,' *Magyar Mezőgazdaság*, 12 December 2001, pp. 8-9.

The FSS is concerned with farming of a certain scale and sets a lower limit of one hectare unless a lower threshold is considered appropriate, in which case individual countries can set one in terms of either natural units or the percentage of produce marketed. If it is decided, however, that a threshold other than the one hectare mark is to be used, the regulations

⁴⁷ See the references given in footnotes 46 and 47.



state that this definition should cover 99 per cent of the standard gross margin (defined as the value of output per hectare or animal less the costs of variable inputs required to produce that output). Implicit in this definition, therefore, is the assumption that 99 per cent of the standard gross margin will normally come from farms of more than one hectare (and if a country wants to adopt an alternative measure, this ratio should be preserved in the alternative formulation).

But in Hungary, far too much of agricultural production comes from very small farms. Although Hungary has been criticised for establishing a minimum value threshold to be included in the FSS (0.3 ha) which was too low,⁴⁸ this was not a silly mistake. If, as is clear from Table 1, as much as 23 per cent of the standard gross margin comes from the very smallest category of farm, then it is likely to continue to be a not insignificant percentage even if the threshold were raised. The short-comings of this implicit assumption that only a minuscule proportion of agricultural production will be taking place in small units can also be seen in the case of the FADN. Like the FSS, it makes use of the concept of the standard gross margin to establish both a typology for agricultural holdings and a minimum level for what is considered commercial farming. The standard gross margins are converted into European Size Units (ESU) by dividing them by a figure expressed in euros which is changed periodically to reflect changing prices. And, as with the FSS, there is a concern about losing completeness, so the FADN also has coverage criteria which set down that 90 per cent of employment, production and land use should also be covered by the FADN. The assumption again is clear: 90 per cent of farms in Hungary will be commercial. But, not simply because of its perhaps excessively low threshold, this is not the case. Some 90 per cent of agricultural producers in Hungary, producing 23 per cent of the standard gross margin, fall below the two ESU category and essentially fall out of the FADN. If, on the other hand, two ESU is taken as the minimum for commercial farms, then the coverage criterion of the FADN falls to only 77 per cent, rather than the required 90 per cent. Looked at another way, a further 33.1 per cent of the standard gross margin is produced in farms in the 'Greater than 250 ESU' category. In total, therefore, 56.1 per cent of the standard gross margin of Hungarian agriculture is produced in farms that are either too small or too big to fit easily into standard EU categories.

There are other implications of the different agricultural structures of East and West. For example, the EU's 'multi-functional agriculture' fudge, which subsumes a rural development agenda to agricultural policy, pre-

⁴⁸ Gábor Kovács, 'Mérethatárok és lefedettség,' *Magyar Mezőgazdaság*, 12 December 2001, pp. 8-9.

supposes relatively small farms, but farms in western terms nevertheless, with sufficient land to take on the role of 'custodian of the landscape' in a meaningful sense. Their non-viability in commercial terms is compensated by rewards for their roles as custodians of the countryside. In the eastern half of the continent, however, commercially non-viable farms are too numerous, too small-scale, too much on the fringes of the measurable economy to be either competitive in the production of premium products (organic farming, local speciality products) or to form the basis of a 'custodian of the countryside' class of farmer. Non-commercial 'farmers' east of the Elbe require more direct aid and higher non-farm incomes than is envisaged by the multi-functional agriculture agenda.

The earlier discussion of tensions within European Union support mechanisms and the differing needs of 'northern' and 'southern' farmers is important for the problems associated with enlargement for two reasons. First, 'north' and 'south' are not geographical terms. The 'north' and the 'south' are present in every country. In this sense, every European agriculture has a dual structure. Second, the problem for the candidate countries of Central and Eastern Europe and the Balkans is not simply that their agricultures continue to have a dual structure, but that, as we have seen, they have some exceptionally big farms in their 'norths,' and very extensive 'souths,' a much larger sector for which agricultural support policies are inappropriate, much larger sectors which would respond better to rural development policies; and more, many more, who would need (and in some cases, in the form of transfer payments, already receive) an element of direct income support. The much more visible duality of Eastern European agriculture makes all the clearer the need for a differentiated policy.

Agricultural economist, Alain Pouliquen, is not the first to recognise that small-scale, low productivity, subsistence farming is far more entrenched than the legislators and their advisors imagined when he states that:

*Despite the extremely low labour productivity of semi-subsistence agriculture, its place in production and even more in the agricultural employment of the applicant countries has seen a significant relative or even absolute development during transition.*⁴⁹

He is perhaps unique amongst agricultural economists close to the European Union, however, in arguing, as did Liverpool's CCEES in 1998,⁵⁰ that

⁴⁹ Alain Pouliquen, 'Competitiveness and farm incomes in the CEEC agri-food sectors. Implications before and after accession for EU markets and policies,' Summary, October 2001. http://europa.eu.int/comm/agriculture/publi/reports/ceeccomp/infdex_en.htm page 11.

⁵⁰ Nigel Swain, Full Report on Research Activities and Results for ESRC Research Grant Number R000221863: *Agricultural Protection and Agricultural Interests in Hungary, Poland and Slovakia*, January 1998.

not only should Eastern Europe's dual sector not be ignored, but that the two sectors should be treated and supported differently. Pouliquen argues for the gradual introduction of compensatory (direct) payments,⁵¹ associated with aid for restructuring for the commercial sector on the one hand, combined with rural development measures on the other, including the possibility of direct support for households engaged in subsistence agriculture. In his formulation, direct income support moves from the agriculture to the rural development side of the equation.

The reason why Pouliquen suggests such radical measures with regard to the semi-subsistence sector, is that agricultural restructuring is taking place in a very different context in contemporary Central and Eastern Europe and the Balkans from those obtaining in Western Europe now, let alone in Western Europe in the heyday of the post-war boom. The current context in the east is one of rural unemployment and underemployment and the need, given the extent of urban unemployment too, to keep populations in the villages. Pouliquen, in fact, concludes his analysis by postulating the need for controlled migration to urban jobs, in association with vocational training.⁵² But this judgement is flawed, from both sides. On the one hand, the radically restructuring urban areas of Central and Eastern Europe can offer few new jobs. On the other, the rural populations of the region are better skilled and have more experience of industrial employment than their western European counterparts.⁵³ They have the skills, what they need is to be able to put them to work in the rural context, because out-migration is not a realistic alternative.

The foregoing discussion suggests that not only do the rural sectors of European agriculture, but in particular the countries of Central and Eastern Europe and the Balkans have a dual structure, but that a dual structure requires dual policies. Traditional price support continues to make some sense for commercial farmers, but the remainder of the countryside, including smaller farms and the subsistence sector, would benefit from rural development policies which would include an element of income support. Direct payments are more appropriate on the rural development side of the equation than on the agricultural one where, in the form of compensation payments, they are a poorly targeted form of support.⁵⁴

⁵¹ Although he has reservations about their efficiency, Pouliquen, 'Competitiveness....' pp. 21-22.

⁵² Pouliquen, 'Competitiveness....,' pp. 80-87.

⁵³ Nigel Swain, 'Post-socialist rural economy and society in the CEECs: the socio-economic context for SAPARD and EU enlargement,' in Graham Dalton et al. (eds.), *European Rural Policy at the Crossroads: Selected Conference Papers*, Arkleton Centre, University of Aberdeen, 2003, pp. 557-69.

⁵⁴ Pouliquen, 'Competitiveness'...., pp. 21-22.

The Politics of CAP Enlargement and Reform

Differentiation between 'peasants' and 'farmers' as proposed in the preceding sections, however, presupposes a radical reform of the CAP; and there are good reasons for believing that this is a political impossibility. Wyn Grant has argued that, a) the CAP is only reformed as the result of exogenous pressures such as budgetary pressures (when the CAP threatened to bankrupt the EU), international trade negotiations such as the Uruguay round, and eastern enlargement; and b) such reforms as are accepted achieve only a fraction of what was proposed.⁵⁵ His general argument is that the agricultural lobbies of countries with large farming populations resist change so strongly that radical change is impossible. Central to this process in the earlier reforms that he covered in his book was Germany. Germany, because its conservative governments relied on the CSU for support and were unwilling to upset Bavarian farmers, tended to support France.

The history of the accession negotiations and eastern enlargement has yet to be written, but two things already stand out: the vanishing costs of accession, and Germany's return, after flirtation with reform, to supporting the status quo. Both suggest that radical reform is unlikely. In the mid 1990s it was accepted that extending the CAP to the accession countries would be prohibitively costly. Typical of the arguments was the following:

Simulation assuming entry in the year 2000 and a five year transition period suggests that by 2010 the CEC-10 cereals surplus would double, and the EU-15 surplus would also increase. ...the increase in milk prices would increase the milk surplus by 50 per cent in 2005 compared with 2000, to be added to a rising surplus in EU-15. ...Enlargement to the east under status quo conditions for the CAP would add to the emerging imbalance and accelerate its deterioration.

The corollary was that the CAP would have to be reformed prior to enlargement:

In the end, the situation could become increasingly untenable, and a major CAP reform would probably be unavoidable... If this takes place after enlargement it risks to be particularly difficult and costly.⁵⁶

Commentators were initially optimistic that reform in advance of enlargement would take place because Germany appeared to have changed sides and appeared to be edging towards supporting reform, German support being, in Grant's view, 'a necessary but not sufficient condition for

⁵⁵ Grant, *The Common...* and website referred to in footnote 41 above.

⁵⁶ European Commission, Agricultural Strategy Paper, COM (95) 607.

reform.⁵⁷ The Minister of Agriculture in Germany was replaced by a Green with a much wider portfolio including food safety and consumer protection, who pursued a radical agenda including converting 20 per cent of German farms to organic production. At this point too, there was a general understanding that there could not be a two-track CAP: How could farmers in Austria operate under a different system from those in Hungary a few kilometres away if there was a 'single market'? They too would have to receive direct payments (payments granted for a number of arable crops and cattle following the support price cuts of the 1992 and Agenda 2000 reform in these sectors).

But by 2002, the position on direct payments had changed dramatically. It was decided that direct payments should be introduced progressively over 10 years, thus slashing the costs of enlargement. Suddenly, the full costs of enlargement could be met within the budget framework agreed in Berlin in 1999. In fact, of the 40 billion euro total cost of enlargement between 2004 and 2006, agriculture would account for less than 25 per cent of the total at just under 10 billion euros. In 2003 the actual CAP budget had been some way below the ceilings agreed as part of Agenda 2000, and the CAP was expected to be 2.6 billion euro below the agreed ceiling.⁵⁸ With such savings, the two-track CAP became an attractive alternative. The final decision was that payments would be introduced to a level of 25 per cent in 2004, 30 per cent in 2005 and 35 per cent in 2006 of the present system. In a second step after 2006, direct payments would be increased by percentage steps in such a way as to ensure that the new Member States reach, in 2013, the support level then applicable. This central part of the agreement was confirmed after the Copenhagen summit in December 2002. The accession states, particularly Poland, succeeded in negotiating some concessions in other areas of the agreement, but they were mainly of the 'robbing Peter (rural development) to pay Paul (agriculture) variety. The net amount of new money was only in the region of 400 million euro.⁵⁹

The Commission's rationale for breaking a fundamental principle of a single market was a wonderful piece of sophistry. It first argued that it was incorrect that accession country farmers were not eligible to direct payments because they had not suffered the 1992 support price cuts. They had been introduced initially to compensate for support price cuts, it was true, but had lost part of their compensatory character after 10 years of implementation and had instead become simple direct income payments, the term 'direct aid' being more appropriate than 'compensation payment.'

⁵⁷ Grant, website referred to in footnote 41 above.

⁵⁸ Grant, website referred to in footnote 41 above.

⁵⁹ European Commission, *Enlargement...*; European Commission, Memo/02/201 of 20 December 2002; Grant, website referred to in footnote 42 above.

Nevertheless, despite accession country farmers technically being eligible for such support, the Commission felt that, in order essentially to promote restructuring, 'direct aid' could not be introduced at western levels. If direct aids were introduced too quickly, their short-term positive effects on farm income could be outweighed by their negative impact on restructuring. There was a significant risk that necessary restructuring would be slowed or even stopped, creating a durable vicious circle of low productivity, low standards and high hidden unemployment. The commercial sector would need to invest in order to restructure, it was true, yet high levels of direct payments were likely to consolidate existing structures. High payments would also consolidate semi-subsistence farms, by ensuring their viability.⁶⁰

Table 2

Number of beneficiaries (in thousands) of direct payments, by size class (in euros), paid by the EAGGF in the financial year 2000 for arable crops and livestock premia

	<1250	>1250 <5000	>5000 <10000	>10000 <50000	>50000 <300000	>300000	Total
EU-15	1164.98	1053.94	394.93	471.03	48.24	1.65	3134.77
Belgium	9.29	21.04	7.51	6.56	0.11	0.00	44.51
Denmark	7.96	21.66	12.07	19.41	1.14	0.00	62.24
Germany	88.13	135.51	60.13	70.67	6.72	1.26	362.42
Greece	129.91	101.76	26.91	11.78	0.11	0.00	270.47
Spain	188.17	158.40	60.14	60.07	4.53	0.08	471.39
France	67.06	117.38	78.99	165.60	17.06	0.02	446.11
Ireland	24.21	57.77	27.98	18.70	0.41	0.00	129.07
Italy	362.87	234.40	53.58	38.55	2.22	0.04	691.66
Luxembourg	0.29	0.76	0.60	0.48	0.00	0.00	2.13
Netherlands	26.50	31.35	3.53	2.03	0.05	0.00	63.46
Austria	61.55	52.12	15.56	8.39	0.14	0.00	137.76
Portugal	138.68	26.33	3.77	4.29	0.95	0.01	174.03
Finland	20.28	35.52	10.75	4.96	0.02	0.00	71.53
Sweden	14.32	23.21	11.18	12.14	0.85	0.00	61.70
UK	25.78	36.76	22.23	47.40	13.96	0.24	146.37

Source: European Commission, *European Agriculture Entering the 21st century, Chapter 3 Expenditure and Support for the Agricultural Sector in the EU*, October 2002, p. 64.

Once enlargement had become possible 'on the cheap' and without radical reform, attitudes to reforming in general also hardened. In his election campaign, President Chirac made it clear that there could be no question of

⁶⁰ European Commission, *Enlargement...*

imposing new reforms on French farmers. Crucially, Germany appeared to back down in the face of French determination to defend the CAP. In October 2002, after a meeting between Chirac and Chancellor Schröder, it is claimed (although it was not in the Council communiqué) that an unwritten understanding had emerged to delay CAP reforms until after 2006. Certainly all ideas of a radical reform of the CAP had disappeared from the Commission's Mid Term Review in January 2003.⁶¹

How can this change in German behaviour be explained, especially as there has been no change of minister? The green agenda remains assured. Part of the explanation might be the improved performance of the CSU in the latest German elections. A recent publication by the European Commission, however, suggests, a new dimension to German agricultural politics. In a chapter on agricultural expenditure and support, it reveals that 75 per cent (1260 of 1650) of the farms which received more than 300,000 euro of direct support were located in Germany.⁶² Thanks to the collapse of communism (since the bulk of these farms must be located in the former GDR – agricultural structures do not change that quickly), Germany now has a big farming lobby as well as a small farming one, an additional reason not to upset the status quo of the CAP (see table 2). It is difficult as yet to assess the strength of this lobby, but Wyn Grant noted that Germany and the UK (the country with the second largest number of farms in the 300,000 euro plus category) were lobbying hard in January 2003 to see the proposed 300,000 euro ceiling on direct payments abolished.⁶³ With lobbies of both big and small farmers to satisfy (none of them as small as the subsistence farms of the accession countries), Germany may have returned to the anti-reform camp for good.

Conclusion

The conclusion of this speculation on the relationship between social science, policy formation and politics is rather depressing for those who think that science can be used to help in the formulation of good policy. However good the science, however sensible the policies (such as differentiating between 'peasants' and 'farmers'), there are certain political mountains that cannot be climbed. The lesson which emerges is that, where agriculture is concerned, politics rules supreme. Entrenched and vested interests which politically cannot be ignored are forcing not only the continuation of a policy which is manifestly not in the interests of the majority of the rural populations of Western Europe, both 'northern' and 'southern,' it

⁶¹ Grant, website referred to in footnote 41 above.

⁶² European Commission, *European Agriculture...*, p. 64.

⁶³ Grant, website referred to in footnote 41 above.

is extending that policy to a part of the world where it is even less appropriate. So long as the rhetoric of the 'peasant' continues to be an effective mobilising call eliding (falsely) the interests of big and small farmers, as has proved so successfully to be the case in France, but has been echoed in the 1990s in Hungary⁶⁴ and Poland, then the majority inhabitants of Europe's rural areas, those either not involved in agriculture or marginally involved in agriculture, will be disadvantaged.

⁶⁴ See Katalin Kovács, 'The 1997 "Peasant Revolt" in Hungary,' *Eastern European Countryside*, No. 5, 1999, pp. 43-58.