LANDOWNING

BUY AN ESTATE AND HARVEST THE SUBSIDIES

Europe's small-scale family farmers are subject to many of the same pressures as those in the rest of the world. In addition, the cards are stacked against them by government policies.

The structure of farming in the European Union is changing fast. While an increasing number of small farmers are leaving the fields, a few sizable farms are expanding. Between 2000 and 2010, the number of farms in the EU has fallen by 28 percent, and the trend continues. The changes are not only being driven by market forces. They are also being pushed by two sets of government policies: Europe's agricultural subsidies, and land policy in the former Eastern Bloc countries.

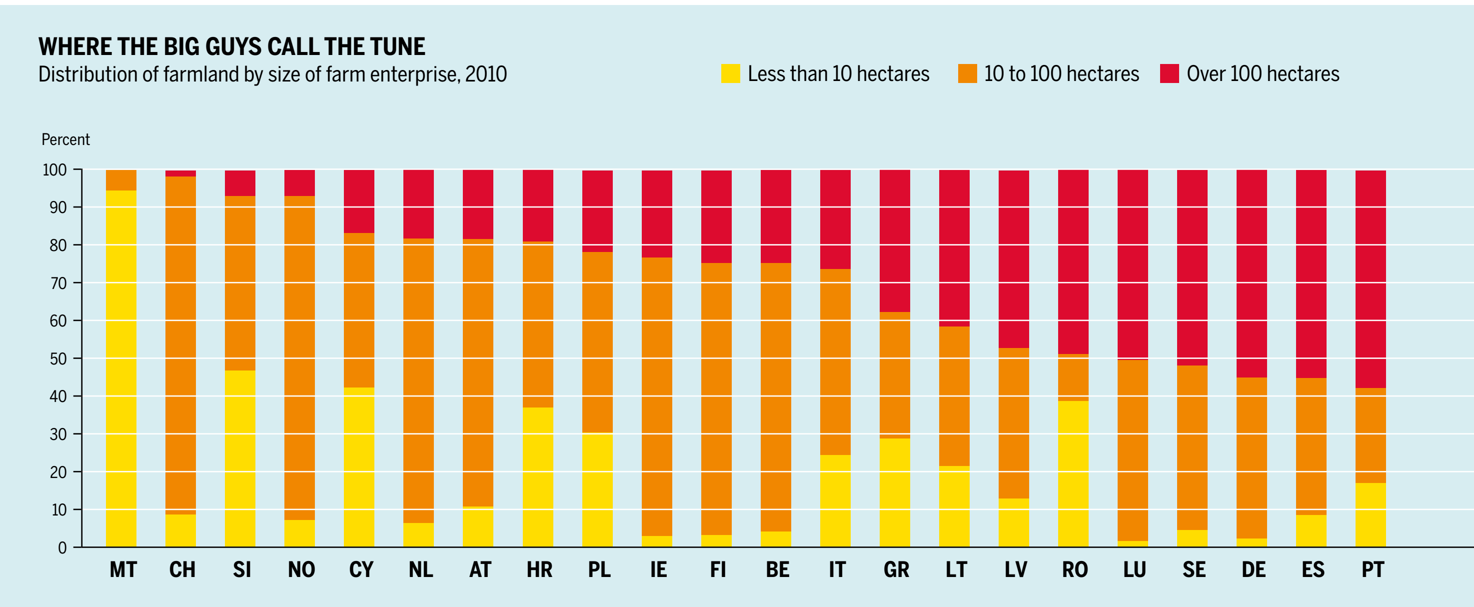
Every year, the EU spends 55 billion euros , or 45 percent of its budget on agricultural subsidies. A large part of this amount depends on the area that is farmed; the subsidies pay around 300 euros per hectare. For KTG Agrar, a big company that operates 30,000 hectares in eastern Germany, that is about 9 million euros a year in bonus payments. Smaller subsidies per hectare apply to the newer EU members, but the rates are expected to converge in the coming years. The tie-in with land area means that the largest one percent of farms in the EU reap more than 30 percent of all farm subsidies; the top 20 percent harvest a whopping 85 percent.

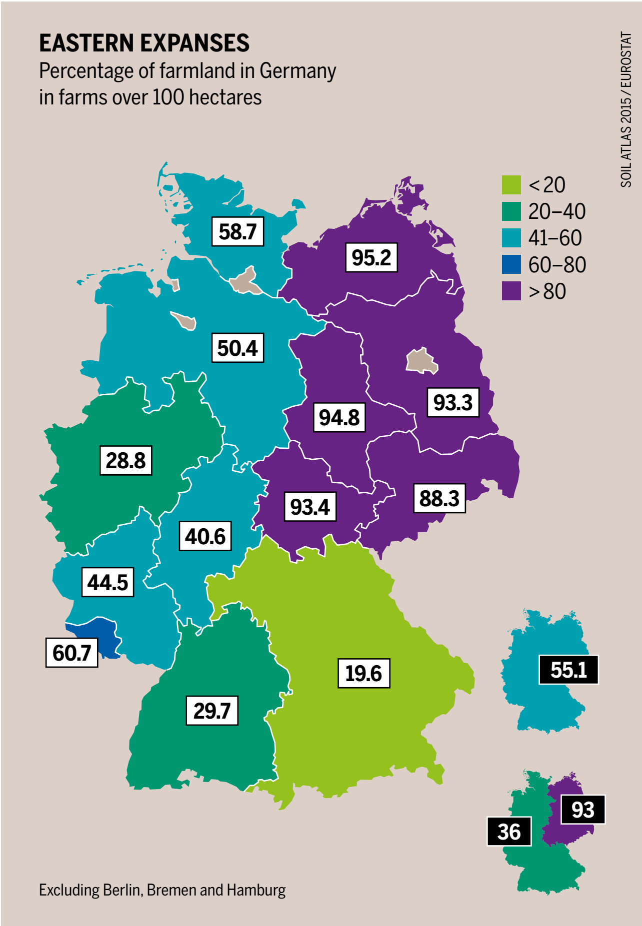
That is not going to change in a hurry. The most recent reforms will take effect in 2015, and will cap the amount a single farm can receive. However, Germany, for one, has chosen not to implement this provision. Other regulations mean that, in the future, farms exceeding 1,000 hectares will receive 1 to 2 percent less support than in 2014. But large farms employ fewer people per hectare, and can amass 150,000 euros in subsidies per worker per year. In contrast, an average small farm receives less than 8,000 euros per worker.

Various attempts to end the disproportionate distributions have failed: one in 2002 by Franz Fischler, the EU agriculture commissioner, and another by his successor, Mariann Fischer Boel. Both say that their efforts foundered because of resistance from fewer than 1,500 large enterprises in eastern Germany. These enterprises used their influence with the German Farmers Association, the local state governments, and the German federal government to block reform in Brussels. Lobbying has also been successful because the European Commission sees the industrialized agricultural production that is common in eastern Germany as a desirable model for the future of farming throughout Europe.

In the former Eastern Bloc countries, the Soviet legacy continues to influence land policies. Rural institutions were broken up under Lenin, farms were nationalized, and big enterprises were established. Small-scale farmers were marginalized – except in Poland, where the farmers successfully resisted collectivization. The socialist cadres have not lost their influence since the revolutions of 1989; the enterprises

In some European countries medium-sized family farms prevail. But in the Czech Republic, Slovakia and Romania they are virtually non-existent





The boundary between the former West and East Germany is still razor-sharp – in terms of the sizes of their farms

that succeeded the collectives still control the land. In 1990 in East Germany around 40 percent of the farmland was under state control. The government agencies entrusted with managing this land assigned it almost exclusively to large companies dominated by the old East German elite. Most has now been sold.

In Germany, a mere 0.66 percent of all farm enterprises manage 20 percent of the farmland. These enterprises operate on an average area of 1,391 hectares, and they are almost exclusively in former East Germany. In contrast, the state of Lower Saxony in western Germany has only 10 enterprises covering more than 1,000 hectares; neighbouring North Rhine-Westphalia has just four.

Statisticians use the 20 percent threshold to measure the concentration of farmland ownership. In Bulgaria, the top 0.04 percent of enterprises manage 20 percent of the farmland; each has an average of 3,128 hectares. In Hungary, the figures are 0.44 percent of enterprises with 3,164 hectares each. In Slovakia it is 0.14 percent and 3,934 hectares. In other eastern European countries except Poland the numbers are similar. However, the farms in these countries are generally small because of the large number of farms and subsistence units under 10 hectares in size. These farms remain tiny because they did not have access to nationalized land after 1990 when privatization began.

In contrast, many small farms still exist, and ownership is more diverse in many parts of western and central Europe. Britain is an exception; it has a substantial number of large farms, as well as a broad rural middle class. About half the agricultural area is managed by enterprises that have between 20 and 200 hectares. Eastern Europe has very few medium-sized farms.

In countries with large estates, a new phenomenon is emerging: the sale of farmland to outside investors. Since the financial crisis of 2007–8, farmland has been regarded as an attractive investment. Most sales have consisted of large, contiguous areas and farm facilities. The trend has not yet much affected western Europe with its broad range of ownership. That contrasts sharply with the situation further east. In Romania, sales to outside investors have been so extensive that in 2014 the government in Bucharest passed several laws to support medium-sized family farms between 30 and 100 hectares. However, the EU system of subsidies has been meanwhile extended to 2020 with only minor changes.