The Economics of Farming
Economic and monetary historian
Christopher Houghton Budd

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What is meant by 'economics'?

Today's 'economics' pretends it is a universal science, but in reality it has taken its colour from industrialisation, borrowing its science from mathematics, and owing its ethical stance to narrow self-interest.

In fact, the essence of economics is colourless, so that, just as it can mirror its development during the 19th century, it can also mirror other circumstances and other ethics.

The more so as, in time, humanity expands its self-interest to include the entire human family.

(About the presenter, see second to last slide.)

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What, then, is 'the economics of farming'?

The economics of farming is the economics that unfolds out of farming itself. It may not be obvious, but farming asks of farmers to think more widely and long-term than themselves. It is not a matter of indifference whether one farms out of self-interest, which plays its part, or out of wider and deeper purposes, which are all too easily set to one side or forgotten.

The ethical stance of farmers plays an important part in the economics of farming, asking them to listen to the needs of their farm before they obey the demands of abstract finance.

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Farming choice; financing framework

The choice of farming method is crucial, in that it says a great deal about the farmer. In particular, whether he or she can find a ground that is beyond the vicissitudes of circumstance, which can often be worse in farming than any other aspect of economic life.

But the choice of method is also strongly impacted by the economics, and especially the financing, that attends farming. All too often, one hears farmers saying, "I would farm less harshly, were it not for the mortgage, too-low prices and the unaffordable cost of capital."

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Three main considerations

The economics of farming, therefore, has to take into account three main considerations:

- – farming as such
- – social context
- – finances

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Farming as such

But first the landscape… Farmland and landscape are not identical. The area of land someone is responsible for may be more than a farm and so one has to begin with the full area as such and then decide on a land management approach.

Farming, for example, is not woodland management. So one has to begin by identifying the farmland as such, then choose the farming method appropriate to it.

When a farm carries an economy larger than itself, its financing quickly becomes confused. Just as it does, in the other direction, when farmers undertake distribution...

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Social context of farming

The economics of farming needs to have a matching social context in four specific ways:

- whether land-owners or tenants, farmers require **tenure** for the life of their farming career
- this requires **leases** that separate and protect land-ownership and land-use from one another's different roles
- lessors and land-owners need to **revalue** such tenure-leases, adjusting their balance sheets accordingly
- **capital** providers need to be in equitable partnership with farmers, not their masters

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Farming finance – I

Given our individualised human existence, modern finance has necessarily become abstract, but not for its own sake. Its emancipation enables it to mirror, follow and enable the different natures of today's multi-dimensional economic life, as befits a society that is no longer agrarian.

Finance, therefore, needs to pioneer and adopt approaches that belong to the particular part of life to which it becomes linked.

In the case of farming, this means five main policies…

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Farming finance – II

– rents need to be a function of a farm's profitability (even negative if need be)

– operating capital needs to be provided without collateral (but in the light of a clear financial plan)

– interest and dividends need to be a function of a farm's profitability

– today's cosmopolitan food habits notwithstanding, farms should be as close to markets as possible

– prices need to cover the *forward* costs of farming

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Land has no value

Land is not a commodity. No one buys land; it is not in the market. What we buy and sell is the right to use land. And yet, rights should not be sold; they are rights, not goods.

Land, therefore, has no value. It is the right to use land that has a value. Starting with farmland, ways must be found, therefore, to encumber land with rights of use that render its value zero and so remove it from the economic circuit, where its fictitious value is a permanent cause of inflation.

In other words, no more land-collateralised lending.

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Capital – enabler of capacities

For many, capital is something they use to make money out of other peoples' efforts; for how else does capital 'grow', except that someone borrows it to create new values? The true purpose of capital, therefore, is to reflect and enable the capacities of the user, not the owner.

The spirit of investing, therefore, needs to be one of putting air beneath farmers' wings, especially the wings of young farmers. High returns are only possible where investment is in non-farming or industrialised farming, in false values or in non-basic foods.

They should not be sought in farming.

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Prices need to be true

When land as such is given a value, or when capital costs include layers of hidden financing, an untrue element is introduced, so that prices can never be true.

The only way out of this worldwide endemic challenge is to pay farmers (as, indeed, everyone) the prices they need to cover their viability *going forwards*.

This requires case by case attention to each farmer’s particular circumstances and not the generalised solutions of government subsidies or premium pricing.

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The twin task of distribution

As regards farming economics, the most effective change not only depends on the deliberate devaluing of land *per se*, or consumers paying ‘true’ prices, or on new approaches to financing…

It depends as much, if not more so, on the ethics and policies of distributors. It is trade between traders that creates the anonymity of the market, and so conceals producer from consumer.

And yet, modern life could not exist otherwise, something that gives the distributor two important tasks…

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I – Concerning goods

Just as goods distribution separates production and consumption, so it should bring them back together again.

The distributors' purpose is not to profit from the separation, but to find ways to balance the economy by the transfer of capital, not into distributors' pockets only, but into

– farmland that can then be leased affordably, and/or

– into affordable farming trainings for would-be, especially young, farmers.

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II – Concerning capital

Distribution can do this because integral to goods distribution is the emancipation of capital from society in general. This is what gives merchant banks their meaning – merchant capital is free capital.

It is not intended to create a cloud of abstract financial markets for the enjoyment of the super wealthy, but to allow capital to circulate in search of capacities that need underwriting, not mere opportunities to grow itself in the abstract and *ad infinitum* (or so we like to think).

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About the presenter:

– grew up in farming area
– associative economist; economic and monetary historian
– many years a biodynamic food distributor and store owner
– served on standards committees of Biodynamic Association and and Soil Association in UK
– member of L'Aubier Farm Association, Switzerland since 1985
– co-creator of (ae) Guarantee Mark
– Phd. in Finance and Banking / City Business School, London
– convenor of Economics Conference of the Goetheanum
– author: *Seed Corn – the economics of farming*; *Finance at the Threshold*;
– currently working on land tenure questions in the USA, Brazil, Mexico and elsewhere.

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