In agriculture, the costs of U.S. planting this spring are expected to increase by at least $1 billion because of higher diesel fuel prices. Beyond that, each agricultural commodity has special problems. In Maine, truckers don't want to move potatoes to market because of the diesel costs. In Pennsylvania, dairy farmers have appealed for state help, because they can't bear the burden of higher diesel costs, with farm milk prices so low.

In the chemical industry, petroleum is a feedstock as well as an energy input. Dow Chemical Co. reports that in 1999, it paid $540 million more for oil and hydrocarbons than in 1998—one of the reasons cited for its big fall in stock price on March 7. According to the Chemical Manufacturers Association's calculations, a 10% increase in the price of oil will result in a 2-2.5% increase in the costs of chemicals within three months.

In the face of these and other obvious impacts, the most hysterical reaction to the situation is the fantasy that the "New Economy" doesn't depend on oil anyhow. This line of insanity is now appearing all over the U.S. business pages. The argument is that only "Old Economy" activities, like manufacturing, are affected by oil costs. New Economy cyber-tech companies, they claim, exist in the virtual e-world of energy-free activity.

EU is demolishing European agriculture

by Rosa Tennenbaum

The free-market doctrines of the European Union (EU) are destroying agriculture in Europe, as farm income suffered a dramatic drop in the past year, and farmers and their families are being thrown into a depth of poverty that has not been seen in Europe since the 1930s. In the Netherlands, for instance, 44% of all farmers do not make enough income through their farmwork to bring their living standards above the poverty line; if non-farm income is taken into account, that figure is still 33%. People who work for 14 hours a day, cannot even earn a modest income for themselves and their families.

Most horrendous is the situation in Great Britain, where farmers' income dropped 63% during the past two years. Two-thirds of British farmers fear they will lose everything, according to a report by the National Farmers Union (NFU). More than half say they will soon be unable to meet their rent payments. Livestock farmers are being hit particularly hard: Lambs and hogs have become almost worthless, and beef cattle prices are very low.

The government of Prime Minister Tony Blair has started to discuss whether the country should get rid of British farmers altogether, the *Sunday Telegraph* reported on Feb. 26. The paper outlines what the 85% of Great Britain which is farmland today, could look like. The land would revert to wilderness, a prospect which is welcomed by many, who argue that "a countryside thick with oak trees would surely be preferable . . . to the chemical-bound landscapes of modern agriculture." Wildlife would thrive, as abandoned farm animals would become established as wild animals. "Pigs would do best. Cattle, too, would thrive. . . . Sheep, however, would rapidly die out."

This situation is not without irony: Great Britain and the Netherlands form the spearhead for globalization and liberalization in the EU, and it is in these countries, where the "blessings" of free-market policies are coming down on their populations most dramatically.

EU agricultural policy is not a national issue. The policy is being defined at the headquarters in Brussels by the European Commission; the member countries—who surrendered their national sovereignty under the protocols of the Maastricht Treaty that formed the European Union—now have only limited powers and means, if any, to pursue their own aims. On the continent, most countries have put up some resistance against complete liberalization, and have supported their farmers to some degree. But still, the trend is ever greater liberalization, and all nations are being pulled into the general downward trend. Figures recently released by the German government about the trends in farm income, demonstrate this most clearly.

The case of Germany

The income of German farmers declined 7.3% last year. Cattle herds are being slashed, and the income of farmers with feeder livestock (beef, cattle, and hogs) decreased 83.5% in a single year. Meat prices reached an historic low, and hog prices are the lowest since World War II. Many farmers can no longer afford to feed hogs, and leave their barns empty. All varieties of farms suffered income losses, except dairy farms. Only prices for milk increased a little—from a very low level; they are expected to drop again during the coming year. Vegetable prices have also declined, as a result of an intensive battle among the grocery chains for market share.

According to a German proverb, "*Hat der Bauer Geld, hat's die ganze Welt*" ("If the farmer is wealthy, the whole world becomes rich"). But the reverse is also true: The farm crisis has been affecting industry as a whole.

To see what this means, we can give one example. In February, the Schiller Institute was invited to address a membership meeting of the Maschinenring Lüchow in Lower Saxony. *Maschinenringe* are cooperatives that invest a lot of money to buy large farm machines and try to keep the most advanced technical standard. In periods of extreme work pressure, such as during the grain harvest, farmers can order certain types of work to be done for them. Big trucks are available, for example, to transport produce, such as sugar beets, to the processing factory, and the cooperatives often have highly specialized machines. So, the farmer has access to the highest technical standards of all kinds of farm machinery, without having to make the investments on his own.

These cooperatives exist throughout Germany, and play a very important role. Lüchow is situated in the northern part of Lower Saxony, in a rich agricultural area with large farms that used to be fairly wealthy. They mainly grow grain, potatoes, sugar beets, and fodder for dairy cows. Sugar beets are now called "the farmer's gold," because they are the only crop that still allows farmers to cover the costs of production. The sugar-beet market has not yet been deregulated, but it soon will be, in the course of the negotiations of the World Trade Organization.

The crisis in agriculture finally hit the cooperatives with full force, the Lüchow manager told the 250 members who came to the meeting. The sudden breakdown of farm income caused similar losses on the cooperative's books, as, for the first time in the history of this organization, it turned a deficit last year, with losses of DM 14,000 (about $7,370), out of a turnover of DM 1.2 million. The year before, it still had a surplus of DM 34,000. The increase in prices for diesel fuel and the introduction of the ecological tax were singled out by the manager as the main reasons for this negative development.

The cooperatives are facing two major problems. First is that they cannot just pass on the higher costs to their customers, because the farmers cannot pay them, and will no longer be able order services. The second one is even more important: Commercial companies are moving into this business, and are challenging the cooperatives. These commercial companies have only one aim—to make money—while the cooperatives work on the concept of providing mutual assistance of farmers in a community. If a farmer has an accident or falls ill, the cooperative will help out—not only by providing machines, but also by looking for suitable people who can carry out the responsibilities of the ailing farmer. This will now have to change, the manager told his audience; the cooperatives will have to strictly orient toward cost effectiveness; either they will lose their character, or they will disappear. This is a bitter pill, because up to now, there still was a sense of solidarity, of providing mutual assistance.

The audience, half of them young farmers below age 40, were intensely aware of the crisis, and responded seriously to the challenge. They are trying to keep their cooperative by agreeing to raise membership dues and accepting higher prices for certain services. But this will not rescue them, and they know it.

Rosa Tennenbaum, representing the Schiller Institute, who was invited to give the keynote speech that evening, alerted people to the driving force behind this deepening crisis: the exponential growth of paper value worldwide, a cancer that is killing the economy. Immediate measures to get rid of the cancer and to create a new financial system that supports production and long-term investments into infrastructure, were proposed by Lyndon LaRouche, who is running as a precandidate in the United States Presidential election campaign, she said.

Tennenbaum also outlined LaRouche's program to end the farm crisis and rebuild agriculture, which is not only the right thing for the United States; it is a program that can be taken up in all countries, because it aims at the fundamental problems and presents the basic preconditions, such as parity prices, to keep farmers in business. What is happening in the United States is affecting other countries around the world, as shown most dramatically in agriculture. A fundamental change in American policy is needed to protect Europe from "American conditions."

In the discussion, it turned out that many of these farmers had visited the United States at some point, and were horrified by what they saw. The deep poverty in the Southern states in particular shocked them. "If you saw New Orleans," one said, "you would not need to travel to the Third World. There, you are in the Third World."