



COMMON MARKET FARM REPORT

BELGIUM, FRANCE, FEDERAL REPUBLIC OF GERMANY, ITALY, LUXEMBOURG, THE NETHERLANDS

How to Achieve a Fair Standard of Living for the European Farmer

The Future Shape of Agricultural Policy

by **SICCO MANSHOLT**, Vice President of the Commission of the European Communities

Mr. Mansholt draws attention to the gap which exists between incomes, living standards, and the way of life in general in agriculture and industry in the six countries of the European Community. Current price policy of the Community is not "entirely satisfactory" for solving the problems of the Community's farm economy. He proposes that the European Community promote a more rigorous structural policy to supplement price policy and not wait simply for the natural economic forces to redress the industrial-agricultural imbalance.

I would like to discuss agricultural price policy and structural policy -- both very important subjects.

For ten years we have struggled to set up the structure of the Community's market regulations. Many of these are now in operation, and the main regulations remaining should soon come into effect -- those for milk and for beef and veal on April 1, 1968 (now moved up to June 1, 1968), and the regulation for sugar on July 1, 1968. However, up to now, progress on structure policy has been very limited.

A Fair Income for the Farmer: A Major Goal

First we must ask: has the Common Market succeeded in achieving the major objectives of the Treaty of Rome? One of the aims of the common agricultural policy is to ensure a fair standard of living for the agricultural community, particularly by increasing the individual earnings of persons engaged in agriculture. That means an income and a standard of living comparable with those in other sectors of the economy. This has not been achieved yet, and we must reshape our Community programs for what has to be done next. Our farmers want to know where they are going. Young people on the land should not be wondering what the present business situation on their farms is or what agricultural prices are like today, but rather how things will be in ten or fifteen years' time.

In the last twenty years, our whole society has changed more than in the previous hundred, and there

Excerpts from an address by Mr. Mansholt at a farmer's conference organized by the Committee of Agricultural Organizations in the EEC (COPA) in Dusseldorf, Germany on November 24, 1967, and a speech at Groningen, the Netherlands on February 16, 1968.

is no reason to think that the next twenty will be any different. The world's population is likely to double. Average incomes in Western Europe will probably be twice what they are today, though the working week will be even shorter. We must ask whether the answers needed for the future lie in price policy or in the structural policy that we have been pursuing to date. When I speak of the structure of agriculture, I am thinking in particular of the situation of the family farm.

Current Price Policy Not Entirely Satisfactory

A few words about price policy. The first range of prices recently fixed by the Common Market is not really what we want for the future. The price ratios between wheat, rye, barley, and maize and between wheat and feed grain are not satisfactory. We are now convinced that the prices for barley and maize, in particular, have been too low.

In the case of wheat, the two things that had to be done -- raising the price and establishing a correct ratio between the price of wheat and that of feed grains -- could not both be done this year. So, we decided to make a start this year by establishing a satisfactory price ratio. Next year, we will be able to view the question of prices for all types of cereals as a single problem. We also feel that the ratio between the price for beef and veal and that for milk should be satisfactory, that there should be a regular increase in prices.

The Commission's general position is that because incomes on well-run farms are still lagging far behind those in other sectors of the economy, it endeavors to get the highest possible price fixed by the Council of Ministers. That is the basis of its policy. But allowances must be made for the supply situation, price ratios, and, of course, trade policy with non-member countries and financing costs.

Milk Price Policy is Example of Problem

Milk price policy is a good illustration. It is extremely important for agriculture in the Community as a large number of our farmers depend on the price of milk; in Germany, it accounts for approximately 28 per cent of farm incomes. In 1966, the price was fixed at 9 3/4 cents per kg. The Commission had proposed 9 1/2 cents. The Council had before it calculations which we had prepared showing that a price of 9 1/2 cents would lead to a surplus of approximately 3 million tons of milk and that the cost to the Farm Fund would be some \$450 million. If the price were fixed at 9 3/4 cents per kg, however, it would mean a surplus of

approximately 4.5 million tons and costs in the region of \$580 million. The Council fixed the price at 9 3/4 knowing that this would involve the payment of large subsidies from public funds in guarantees. We now know that our calculations with regard to the production surplus were on the low side. Production in general has gone up, and deliveries of milk to dairies in particular have increased.

This last point is important, since any milk that cannot be sold by the dairy in the form of cheese or other milk products must be stored as butter or as skim milk powder. We can currently count on a butter surplus of approximately 150,000 tons by April 1, 1968. Similarly, there will be a surplus of skim milk powder unless large subsidies are paid from the Farm Fund to channel some of this milk powder back into animal feeding stuffs. What does this mean financially? It means that in 1968/69 the Farm Fund will have to pay out more than \$700 million in subsidies.

All this is happening before the common milk price has been introduced: national milk prices are still in force this year. But we are already having a preview of the situation next year when the price will be 9 3/4 per kg. We should be realistic and admit that we cannot go on in this way. We must consider what is to be done to regulate the milk market so that we do not end up with these enormous surpluses, since these cannot simply be sold off on the world market. We must try to increase butter consumption within the Community, but the Commission does not yet know how to solve this whole question.

I say all this because price policy has its limitations, and if I ask whether we can improve farm incomes by means of a price policy alone, even if prices are fixed at the highest possible level, I must answer very definitely that we never will. Price policy must be supplemented by a structural policy: labor productivity must be increased sharply and a high degree of rationalization must be sought.

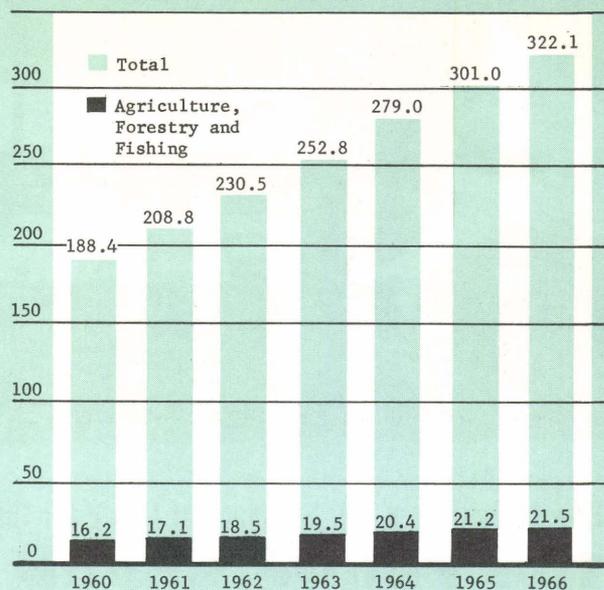
We have done our best to fix fair prices for certain agricultural products, and we can do this for those products (such as cereals) for which our import demand is still extremely high. But this is much more difficult to do in the case of poultry, eggs, and pork, for example.

Only a well thought-out structural policy coupled with a suitable price policy will make it possible for us to implement the Rome Treaty with regard to fair agricultural incomes.

Concealed Unemployment in Recent Years

Let us look at the development of agriculture over the last twenty years. The main features of these years were an increase in productivity and structural changes,

Agriculture's Share of Community's Gross Domestic Product
(in millions of dollars
at current prices and exchange rates)



* National Accounts 1957-1966, Office des Statistiques Communautés Européennes, Brussels, 1967.

particularly a steady decline in the agricultural labor force. The numbers employed in agriculture have fallen by approximately half a million each year.

The proportion of the total active population employed in agriculture has already dropped to 7 per cent and it will remain at this level, but perhaps it will fall even lower. In Britain, for example, the proportion is 4 per cent and in the United States about 6 per cent. I believe that a further reduction in the numbers employed in agriculture is essential. The problem, however, is that the number of agricultural holdings has not fallen quite so sharply. If we look at holdings with less than 50 acres of agricultural land, we see that in 1965/66 these represented 85 per cent of all holdings in Germany, 72 per cent in France, as much as 90 per cent in Italy, 87 per cent in the Netherlands, and 89 per cent in Belgium. In other words, in the Common Market they represent an average of 75 to 80 per cent of all agricultural holdings. In addition, the number of holdings with less than 50 but more than 25 acres of agricultural land has increased in recent years by some 14 per cent in Germany, and by roughly the same amount in the Netherlands. In France, on the other hand, the number of holdings of this size dropped, while holdings of between 50 and 75 acres of agricultural land increased. These are average figures for the member countries of the Com-

Population Trends in Agriculture¹ 1960-1970*

	In Thousands			In Per Cent of Total Working Population		
	1960	1965	1970	1960	1965	1970
Germany (FR)	3,623	2,964	2,463	13.8	10.9	9.1
France	4,029	3,415	2,830	20.7	17.3	13.9
Italy	6,567	4,956	4,350	34.5	24.8	21.3
Netherlands	466	375	337	11.3	7.5	7.0
Belgium	257	205	176	7.7	5.0	4.8
Luxembourg	22	19	16	14.2	11.5	11.3
Community	14,964	11,934	10,172	20.7	16.0	13.2

¹ includes forestry and fishing

* Draft of Second Medium-term Economic Policy Program, Commission of the European Communities, Brussels, March 20, 1968.

In comparison, the U. S. farm population in 1960 was 15,635,000 or 8.7 per cent of the total population, and in 1965 was 12,363,000 or 6.4 per cent of the population. Source: Pocket Data Book USA 1967, U. S. Department of Commerce.

Agriculture,¹ As Percentage of Gross Domestic Product

	1960	1961	1962
Germany (FR)	6.0	5.5	5.1
France	9.5	8.7	9.0
Italy	13.3	13.9	13.5
Netherlands	8.9	8.2	7.7
Belgium	6.4	6.7	6.1

¹ includes forestry and fishing

* National Accounts 1957-1966, Office des Statistiques Communautés Européennes, Brussels, 1967.

munity. Conditions in many areas are far worse and far more difficult. We can say that in recent years, the number of persons employed in agriculture has fallen more sharply than the number of holdings. This is another way of saying that there was concealed unemployment.

Can the Community Afford the One-Man Farm?

The reduction in the agricultural labor force has meant that family farms have tended more and more to become one-man farms -- even though rational use of capital is hardly possible on these holdings. A further reduction in the labor force over the next twenty years will only be possible if there is a rapid decline in the number of holdings and if new types of holding are found. The family farm would, of course, remain but would have to enter into certain cooperative arrangements or be enlarged to form rational production units. The real question is whether we shall be able to afford the one-man farm from the social point of view.

A rational holding -- what does this mean today? I have read in the farm press that the possibility of reducing costs by applying modern farm management methods -- by introducing modern systems of housing livestock and modern working methods -- only pays off with a herd of fifty cows or more. I would even go so far as to say that herds are going to be far larger than this, and we must consider that there may well be a time when only herds of 100, 300, or 500 cows will be rational.

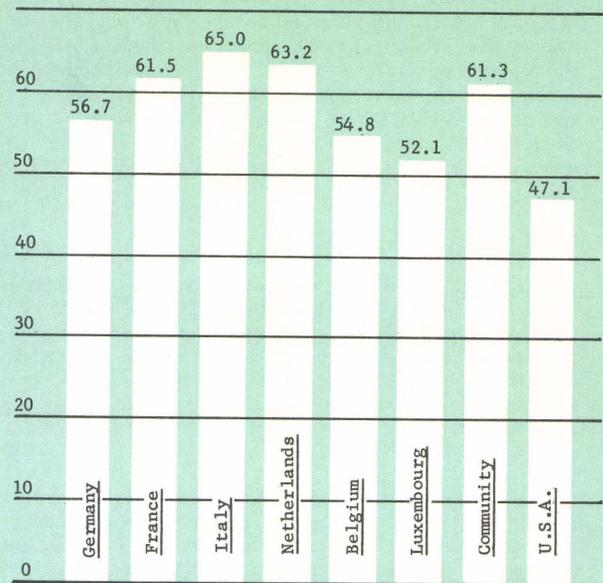
One man on a rational farm can look after thirty or forty cows, and he could also work 75 or 100 acres of arable land. This is possible at the moment in Europe. I am not talking about the United States, where one man can today work 625 acres of arable land; conditions there are quite different. We know, too, that in Europe at the moment a holding with 25 acres of fruit needs about two workers. However, if we want to make up the gap between farm incomes and other sectors of the economy, we must seek the most rational forms of production.

Living Standards on One-Man Farm Unacceptable

Up to now we have made do with a reduction in the numbers employed in agriculture, and we have ended up with the one-man farm. But what is the social position of the one-man farm? A man working a farm of this kind can earn as much as a man working in industry, but he must work seven days a week for it. This means a sixty-hour week; then he has virtually no holidays and cannot simply take time off if he falls ill or has an accident. At the same time, we know that in indus-

Land Used for Agriculture*

(per cent of total area)



* Basic Statistics of the Community, Statistical Office of the European Communities, Brussels, 1966.

try, a four-day week and four weeks' annual holiday are on their way.

What is the situation of the wife on a small farm like this? Unthinkable! On a family farm the wife must help with the farm work in addition to her household and family chores -- which have not grown any less. This she must do not only during the week but also on Saturdays and Sundays.

On the one-man farm the social situation of the farmers and farmers' wives in particular is deteriorating. I don't think ancillary agricultural activities are the answer.

The economic and social situation of the vast majority of workers has improved very much indeed. The family farm, however, has been left high and dry in this respect, and there is a strong tendency for the gap between the industrial and agricultural sectors to grow even wider. The facts are driving us all towards a rational and social agricultural policy. I am forced to admit that the average size of agricultural holdings has not changed much over the last fifteen years, and that a vast amount of money has been spent on consolidation, migration, resettlement and so on. Has any of this improved economic and, even more important, social conditions on the family farm to such an extent that it will remain viable for

Number and Size of Farms in Community* (latest available figures)

Country*	(at market prices)				Size of Farms		Number of Farms (in thousands)													
					(acres)		Germany		France		Italy		Netherlands		Belgium		Luxembourg		EEC	
					1963	1964	1965	1966	1965	1963	1961	1965	1966	1966	1966	1966	1966	1966		
	5.1	4.9	4.4	4.2	2.5-12.4	516	454	1,787	74.2	59.3	2.0	2,890								
	8.4	7.6	7.6	7.3	12.4-24.7	292	364	546	52.5	41.6	1.3	1,290								
	12.4	12.1	11.9	11.1	24.7-49.4	292	485	277	55.2	35.4	2.1	1,150								
	7.5	7.5	-	-	49.4-124	135	394	110	25.3	15.0	2.5	680								
	5.7	5.7	5.5	5.1	124-247	14	85	25	1.9	2.0	0.2	129								
					247 and over	3	23	15	0.2	0.3	0.0	42								
					Total	1,252	1,805	2,756	209.3	153.6	8.1	6,200								

* Basic Statistics of the Community, Statistical Office of the European Communities, Brussels, 1966.

Country*	(at market prices)			
1963	1964	1965	1966	
5.1	4.9	4.4	4.2	
8.4	7.6	7.6	7.3	
12.4	12.1	11.9	11.1	
7.5	7.5	-	-	
5.7	5.7	5.5	5.1	
Communité des Communautés				

the next twenty years? Will any of this provide a standard of living comparable with that enjoyed by the non-farming community, or encourage the children on these farms to take over the working of the land because they can expect an economically and socially secure way of life? A positive answer must be found to all these questions if we want to hold on to the family farm as the central factor in our agricultural policy.

A New Structure Policy Is Needed

All this calls for a complete structural overhaul of the entire agricultural sector. If you say to me that we should leave this to time and the natural process of change, then all I can say is that time and the natural process of change have failed to come up with a solution to these problems yet. The only solution is a deliberate agricultural policy and a purposeful regional policy.

With regard to family farms, we must establish whether the solution lies in cooperation between several similarly situated farms or whether the answer is further concentration coupled with specialization. We must be very careful in making statements about far-reaching concentration in agriculture. We hear a lot of talk about collective farms on the Communist pattern. This sort of talk throws a false light on what is a good solution to the problem of assuring the future of the family farm and improving earnings in agriculture. The big difference is that with us such a development would be completely voluntary and free from any compulsion. Private ownership of land would not be eliminated; it would merely be a question of organizing agriculture along more efficient lines so as to yield more rational business methods and bring farm incomes up to a level where they will compare with other incomes.

Outline for a Community Policy

The first question which arises is that of an ideal form of agricultural holding. It is obvious that any solution will have to be adapted to regional and local conditions, which vary considerably in the Community. Much bigger production units are needed. This means determining, with allowance made for appropriate social conditions, the optimum ratio between capital invested and labor employed (and all forms of cooperation in the utilization of machinery must naturally be encouraged, as must the use of agricultural contracting firms).

It may already be assumed that the number of per-

sons working rationally and full-time will be lower in crop farming than in livestock farming, for which the minimum number of workers seems to be five.

Provided that this is acceptable socially and economically, the following problems will need to be looked into:

- the form production units should take
- the setting up of these units, with the present situation as the point of departure
- the problem of men who cannot, or will not, adjust to the changes in agriculture
- the meeting of capital requirements
- the removal of obstacles in the current laws of member countries
- the adjustments needed in respect to rights of ownership and tenancy and land laws
- the targets to which government assistance should mainly be directed

Naturally, there is no standard answer to any of these questions, and different solutions suited to various situations should be envisaged. This is especially true of anything related to the legal form of the production units: neither cooperatives nor limited companies nor any other form of cooperation should be ruled out.

Another observation should be made: if there are too many participants in a production unit created by association, this will lead to the problem of full utilization of manpower -- a *sine qua non* for satisfactory productivity. No matter how this problem is solved, a provision must be made for assistance from the community as a whole to assure the future of any farmers who give up their farms. Regional development policy must also help here, and town and country planning will have an important part to play in structural innovation in farming.

The problem of land ownership will have to be reviewed. The nature of land ownership will change and its importance will doubtless diminish in relation to the concept of use and exploitation -- as has taken place in industry.

The objectives of our agricultural policy, however, must be designed to fit a dynamic world -- not a static one. Society as a whole has a duty to help the farming community achieve these objectives through a gradual process of evolution and not by introducing harsh measures.

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