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REGULATION OF AGRICULTURAL PRODUCTION IN HOLLAND¹

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IT is not possible, in the short time at my disposal, to give a complete account of the measures which the Dutch Government has introduced to mitigate, as far as possible, the effects of the agricultural crisis. I will try to present in its main outlines the programme which has, I ought to say, gradually come to be visualized. Before I attempt to do this it seems to me desirable that I should describe the position of our country.

Dutch agriculture may be considered as one of the most intensive in the world. It is largely devoted to the production of high-grade products, but apart from that we have intensive cultivation in the form of horticulture, and also arable farming. The character of the population and their great technical knowledge, acquired largely through the instruction which the government has given in the sphere of teaching and instruction in farm management; the position of the country, the climate and the nature of the soil and no less the development of the neighbouring countries made Holland a very important exporting country for agricultural products. Among the most important articles of export, grown on farms which go in for the cultivation of high-grade products, are dairy produce, meat, eggs, living animals, and animal products. In addition to these we have garden produce, and many imagine that the possibilities of export for Dutch agriculture are therewith exhausted. But this is not the case. The products of arable farming are exported both in the natural and processed forms. I may point here to potato-flour, straw-board, peas and beans, seed potatoes, ware potatoes, and so on.

If the crisis had been one of a more or less lengthy period of low prices, things would not have been thrown into such terrible confusion. The blow would naturally have been serious, but if the export trade had not been hit as well, Dutch agriculture would soon have recovered under free competition. That follows as a matter of course because an exporting country by its very nature has low

¹ The writer of the paper was unable to attend, and the Conference was indebted to Professor G. Minderhoud, Agricultural College, Wageningen, for reading the paper on his behalf.

costs of production. Without them the export trade of Holland could never have developed. What is true of Holland in this respect is true also of the other agricultural export countries, although the causes of the low costs of production differ in each country. I have already mentioned above the causes in Holland.

Unfortunately, however, the crisis was not merely a period of low prices. Either as cause or as effect (we need not decide here which), we had the restriction of the international exchange of commodities. The free development of the export trade was thereby brought to a stop, and at the same time any idea of unhindered competition with the agriculture of other countries vanished. We are, therefore, compelled to take quite different factors into consideration.

The considerable export of agricultural products was made possible only by the import of large quantities of raw materials and foodstuffs. Holland has a very dense population. On an area of 33,000 square kilometres there are 8 million inhabitants; 243 persons per square kilometre (Germany, 138). In order to feed this population and to produce export goods, it has been necessary in recent years to import corn and artificial feeding-stuffs to the extent of nearly 4 million tons, which means about 1,800 kilograms per hectare of cultivated land. I think that this figure has been surpassed by hardly any other country.

The Dutch Government hesitated for a long time before embarking on crisis measures or any sort of protection for agriculture. Holland has grown great through the free-trade system, and has unwillingly had to break completely with it or at least to tamper with it. The Dutch Government was compelled to leave the path followed hitherto only when the situation for agriculture became desperate. At that time—it was three or four years ago—it was obviously not clear at all what course things would take. Comfort was found in the thought that the crisis would be serious, but would not have permanent results. The measures at first taken were thus quite in accordance with this belief. Gradually opinion changed and one became accustomed to think of these measures as being of a permanent character. Of course, no one can see into the future and no one knows whether the changes which have taken place are really permanent, but it is at any rate certain that there can be no return to former conditions within a measurable space of time, if at all.

Starting from these premisses we have to ask: What can and ought a country, living under circumstances such as those under which Holland lives, to do in order to protect its agriculture as much as possible during the crisis? When one considers these things one is

struck by one circumstance which is becoming more and more important. It is not only that the international exchange of goods has shrunk; the manner in which this takes place has also changed. All the measures which the various governments have taken in the sphere of international trade—quotas, control of exchange, clearing, and so on—have resulted in the fact that what one used to call the normal course of trade disappears more and more. Measures taken in import countries make necessary retaliatory measures in the export countries, and such measures result in a more and more extensive interference with the economic life and especially with the international exchange of goods. It is almost certain that this interference will take on ever greater proportions and that governments will influence more and more, as time passes, the way in which the exchange of goods takes place.

Export countries like Holland will have to realize that the export trade will no longer be able to develop in the accustomed way. The diminution of exports means the decline of production and reduced opportunities of employment. All countries at the present time are carrying on a struggle against unemployment, and the attempt is being made, and must be made, to compensate this decline in jobs on the land by increasing the opportunities for work in other spheres. The attempt must, therefore, be made to produce a greater quantity of those things of which at present the home supply is insufficient. This process will in the course of time affect countries like Holland more and more. The import of grain, cattle-cakes, and similar products will decline and this, above all, because the production of high-quality products is declining, but also, in the second place, because the country will have to obtain more from its own land in order to keep up employment in agriculture, that is to say, to make it possible to maintain its highly developed agriculture at the level it has reached. This naturally reacts on the countries which have up to now exported agrarian raw materials. I will not discuss further the reaction of these restrictions on the export of agricultural products and on the import of industrial products, but here too the same tendency is noticeable. The question is: What is to be done in practice? We may sum up all that has been said in the following conclusion, that there are three things that have to be seen to:

1. In the time of crisis agriculture has to be given a basis for existence.
2. A change in the direction of production is necessary.
3. The export trade must, as regards its form, adapt itself to changed circumstances.

In so far as the products are imports one can, of course, maintain prices comparatively easily by raising customs duties. This method will not work when the products are articles of export. If it is desired to raise the prices of such products, an export premium or export subsidy is necessary. There once was a time when one hardly dared to mention such things, especially in an international assembly. To-day we have become so accustomed to export premiums of all kinds that we no longer need to be ashamed of them. If we consider the matter closer we soon see that a country like Holland, where the export of agrarian products is such a large proportion of the total production and which, with some articles, plays such an important part in the world market, cannot grant export premiums without careful consideration. The state exchequer, from which these premiums would have to be paid, could not stand it, as it is already exhausted without them. For the time being, therefore, financial considerations force us to find other means to make the home consumer pay a higher price whilst on the foreign markets goods are sold at as high a price as possible, but at any rate sold. The losses sustained must be made good by the higher price at home. For a country like Holland, which has kept its gold standard, this is of the greatest importance, for an exporting country like Holland is naturally concerned to defend its possibilities of export as long and as energetically as possible. This can be done by continually adapting oneself to the ever-changing export conditions. One must not forget that for various articles there is no longer a world market. One has, therefore, to sell the same article at different prices on different markets. If the price obtained in the country with the lowest prices is not to set the standard for the home market—because thereby the exporters to other countries would make big profits—measures will have to be passed to make this impossible. Holland believes she has discovered a means of doing so by monopolizing the export of various products.

This monopoly is in a position, by making use of the normal channels or by creating its own ways of marketing, to maintain the existing markets, and eventually to win new ones. The monopoly has, thereby, to adapt itself to the conditions of the international market, which it generally cannot change. The contributions from the home consumers can be obtained in different ways, by a direct levy on the price of foodstuffs as well as by reducing the supply for the home market which automatically brings about a rise in prices. In Holland we have experience of both systems.

We have a number of levies on dairy products, which levies are

used to provide a subsidy on the milk produced. In practice, the world market serves Holland as a basis for the price of milk products. To this price there is added an extra sum paid by the consumer, and the yield of this levy is distributed over all the milk produced. This system results in the peasant getting less than one would expect at first sight on comparing home prices for the finished product, as of course the home levy is not obtained on the export article, whereas the raw material used in its production counts against the total sum to be distributed.

Holland has applied another system to the trade in pigs. This was to monopolize the export trade and to try to maintain a proper price on the home market. The exports resulted in a profit in some countries and in others in a loss, but on the whole there was a loss, and this loss was made good by a levy on the slaughtered pigs consumed at home.

But all these measures, which should bring about a rise in prices for export products, will achieve no results unless they are at least combined with an effective control of production. If world trade were free, and if there were no objections to export premiums, it would theoretically be possible, without interfering with production, to maintain prices at home by taxing the home consumer. But the actual situation is different. All these measures must be based on an effective regulation of production, and one can choose between a natural and an artificial regulation. To begin with I shall deal with the latter.

So far as the products of horticulture or arable farming are concerned, regulation is comparatively simple. It demands the making of a good inventory of all farms and a good organization in order to be able to fix what percentage of its normal production each farm should be allowed to sell off the farm and what percentage of the area under cultivation should be planted with a particular crop. There are several such regulations in Holland. In horticulture, regulations to this effect have been laid down for nearly all products. For sugar-beet and factory potatoes, this has also been done. The same applies to flax, and next year peas and beans will probably be brought into the scheme. Furthermore, regulation of cultivation has been applied this year for the first time to potatoes for consumption.

The allotting of the proportions for cattle is more difficult than in the case of crops, where one can limit the area under cultivation, or, as in the case of sugar-beet, the quantity manufactured (as the whole crop has to be delivered to the factories). As regards nearly all high standard products, Holland is an export country. In every case

production is to be adapted to possible export and home consumption. Naturally, one must always start here more or less from estimates, and only after a few years will enough experience have been acquired to make it possible to know how far one can go. For the time being the main thing was to find a system whereby breeding could be restricted, and in the case of pigs and cattle one started from that idea. Every pig must first be a piglet and every cow must first be a calf, and if one takes care that piglets and calves are not born, or in the case of calves, that they will not have more than a few months life, one can be sure that, in the normal course of things, one can keep the stock of pigs and cattle at the desired level. In the case of pigs, the approximate number which could be allowed to exist in Holland, that is the number of piglets to be born, was fixed on the basis of two inventories, one from before the crisis, and the other taken at the beginning of these measures. The type of farm, and the number of pigs being known from the previous inventory, every farmer was allowed a definite number of piglet marks. It is forbidden to have pigs weighing over 10 kilograms without having marks affixed to their ears. At first a tattooed figure was taken. When it was seen that this was imitated the mark was made twice over, a tin mark when the pig was very young and a tattooed mark later on. Every pig carries a number so that, in case of deception, it can be traced. The distribution was carried out by apportioning the number of piglets among the eleven provinces, and in the provinces among the districts. In the districts, district commissions apportioned to each peasant individually a number of marks. When it was later seen that the prices for piglets were rising too sharply, and that there was a danger that all the advantages of this regulation would go to the breeders, and when it was also seen that there was a growing tendency to mark fraudulently, the maximum number of pigs for each farm was fixed in the same way.

For cattle an approximately similar system was applied, whereby the number of calves which could be reared was fixed. These calves were marked and the peasant was provided with an identification card for the calf. On August 1 the farmer may have only one living calf weighing under 170 kilograms, not accompanied by an identification card. This weight remains valid until November 1. From that date on, one may have no more than the number of marked calves. In order to relieve the cattle market 120,000 cows were slaughtered during the winter of 1933-4. Probably this measure will have to be applied again in the coming winter. It is hoped that then rearing and consumption will balance one another, for Holland

will try under all circumstances to prevent the cows from becoming a waste product.

Of course no complete results could be obtained with the first apportionment of pigs. In addition to this, the work is carried out under particularly difficult circumstances, because the possibility of exporting pigs on the world market has completely ceased, and in the course of one year the Dutch exports of pigs decreased by more than 10,000 head per week, that is by more than half a million in one year.

The breeding regulation for pigs and cattle is fixed for at least one year. There is thus no question of suddenly changing it. Consequently, in the winter of 1933-4 it was found that there were too many pigs and, at the moment, the prices are thus under the basic price. A number of heavy pigs have been frozen and at the same time a number of marked piglets from every farm have been handed over, so that now supply and demand are gradually made to balance. It is hoped that this autumn and winter satisfactory results will be achieved, as in the autumn of 1933.

For cattle this will obviously require several more years. It is therefore very difficult to know how far one should go in cattle restriction. It is not merely a question of meat, but in the first place a dairy matter, and here the question of the relation to margarine plays an important part. On this point there is a difference of opinion as to whether the restriction of the production of margarine would benefit agriculture to any great extent. Margarine production has been subjected to a quota, and the opinion prevails among the farmers that the quota should be applied still further. A final decision in this matter has not yet been made.

An important export product for Holland is eggs. In order to restrict egg production, rearing in brooders has been subjected to definite rules. No brooders may be used without the permission of the authorities, and the period for rearing chickens is limited.

These measures of course cannot all be carried out from one central organization. A start was made by setting up for each article a national centre, which was decentralized into eleven provincial organizations. On account of the long duration of the crisis and its great extent a reorganization became necessary, whereby only three of the crisis centres were allowed to remain. These are the arable farming centre, the cattle centre, and the horticultural centre, all of which work for the greater part with provincial organizations. These provincial organizations, of which there are eleven administrative districts, the areas of which coincide in general with the boundaries of the provinces, include all agriculture. All peasants are obliged

to belong to them. These semi-official bodies, which have legal powers, work under the control of the centres and of the government departments.

The carrying out of the whole scheme is placed under three government commissioners who, together with the General Secretary of the Ministry of Trade as chairman, form the Board of Government Commissioners which advises the Minister and sees to the day to day direction of all measures against the crisis. For the many commercial questions connected with the matter, a commercial adviser is added to the Board as a member enjoying equal rights.

This structure and the compulsory organization involving the application of the legal provisions which deal with offences committed by organized bodies have made necessary extensive control service, and a special jurisdiction.

I can imagine that the whole system will appear to many people to be extraordinarily complicated and almost impossible to put into effect. If anybody in Holland had said four years ago that such a strict organization of the economic life would be brought about in such a short time, I think nobody would have believed him. But this organization has grown naturally, rather than been created artificially. When the first important measure of assistance was introduced, the Wheat Law, by means of which the peasants received a far higher price for their wheat than the one at which duty-free imported wheat could be bought in Holland, it was necessary to concentrate strictly the delivery of this wheat. Thus the idea of this organization was born. The success of the wheat organization made possible other measures, which were also accepted. The Dutch farmer has gradually got used to these organizations. Although he would naturally like to have back the old free state of things, when every one was free to manage his own farm without official interference, the farmer knows that this is no longer possible, and so the measures have been accepted by agriculture. They have not been accepted so willingly by various branches of trade and industry which do not themselves enjoy the immediate benefits of the measures, but bear their burdens all the same.

If one now considers the whole situation it is possible to state that, although there have been great mistakes made and though the goal set has not in all cases been approached, nevertheless the original intention to save the Dutch export trade in agriculture has been achieved, in a country with a gold currency and under extremely difficult circumstances. Although it has of course been easier to help

arable farming than stock-breeding, one can say that even for stock-breeding the worst has been prevented and that the energetic carrying out of the regulations will sooner or later bring supply and demand into harmony, so that the situation of cattle and poultry farming, &c., will then be bearable.²

Apart from this form of intensive organization, one could visualize a system of greater freedom by which supply could be adjusted to demand by a strict regulation of prices. This system, which is what happens in a free competitive economic system without any sort of regulation, has a great attraction, but it is forgotten that in normal times, with a free world market, price fluctuations can never be such as they so easily become now. For an export country there is the grave danger now that the free development of things will push back production to such a low level as would be impossible under other circumstances. But not only that. With severe fluctuations in prices it is especially the weaker farmer who is continually suffering loss. By pressing down prices one would therefore not only neglect the aim of keeping agriculture, including the production of high standard products, above water in these extremely difficult times, but one would also let those farms come to grief which, though not the least economic, are the least well provided with capital. In such times it would not so much be a question of the 'survival of the fittest' as of the 'survival of the fattest'. Perhaps a large country with a larger market would be better able to follow the free system. A small country, with a market which is elastic to only a small degree, would, without doubt, get into insurmountable difficulties.

Thus, it was only possible for Holland to choose the first of these two systems. The way is a difficult one and, being for many unintelligible, produces a perpetual opposition which imagines it could achieve better results with the second system.

Everything considered, one comes to the conclusion that it is possible for Holland to fight the crisis. And so one goes from one thing to another and comes gradually through these measures to a sort of planning in agriculture. Holland is probably the first example of this, but it has shown itself to be practicable. It is my belief that an exporting country, if it wants to maintain its position in this period of transition, must do something of this nature. So long as a country is agriculturally an importing country it is possible to

² To-day in Holland prices of arable products are at pre-War level. Prices of live-stock products are at 75 per cent. of pre-War level. Horticultural product prices are lower still. Agricultural prices are in general about half those in Switzerland, as I was informed by Professor Laur.

give assistance by means of measures of protection. As soon as a country becomes, to any considerable extent, an exporting country, things become much more difficult. If one does not want to deliver up agriculture to the harmful effects of the world price level, or to what for the moment counts as the world price level, one must follow this system. If one begins to support prices without regulating production, the final result must be over-production, which even a bad harvest can check only temporarily and, up against a closed world market, one would be faced with great difficulties. For a country exporting grain the situation is easier than for countries which have an export of dairy produce or high standard products, but sooner or later it too will get into difficulties if production is not adjusted in time. In adjusting production, it is necessary to choose between two systems and, in my opinion, if agriculture is not to be exposed to too great danger, the way of regulated restriction of production must be chosen.