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# PROGRESS OF AGRICULTURAL RECOVERY IN GERMANY

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TO deal in this Conference with food and farming in Germany is a somewhat difficult undertaking. Even the territory is undefined. Like Caesar writing his *Bellum Gallicum,* the reporter on Germany might start by saying: 'Germania est omnis divisa in partes tres', i.e. Trizonia, the Russian zone, and the enclave of Berlin; not to mention the threefold division of western Germany into three zones of occupation, in future to be controlled by the three High Commissioners of the Western Powers.

It is almost ten years to the day that the seeds were sown for the present division of Germany; and in order to understand the problems lying ahead of the first post-war Government of Germany—or rather western Germany—one has to bear in mind continuously the recent total collapse of economy and society in the centre of Europe, following the most destructive of wars.

Between the two wars, Germany recovered from a defeated country to the strongest political and economic power on the European Continent. In less than seven years her dependence on outside supplies of foodstuffs was reduced from 25 to about 15 per cent. In the case of animal products and fats and oils, home production increased even more than that of field crops. These gains, though achieved by totalitarian methods, were impressive; the foundations for the achievements of the late thirties were, however, laid before Hitler came to power.

When Hitler invaded Poland, Germany was well prepared for war in the sphere of food and farming as well as in other spheres. She entered the War with large reserves, and by economies in the utilization of crops and in livestock population she maintained food consumption at 90 per cent. of pre-war almost up to the end of hostilities. This was achieved in spite of a large increase in population consisting of prisoners of war and foreign workers.

Much of the relatively high standard of consumption was of course due to large-scale requisitioning of food in occupied countries, amounting to as much as 25 million tons flour equivalent in five years of war. An efficient system of distribution, price control,

and rationing secured a reasonably satisfactory level of consumption, which provided the total civilian population with about 2,500 calories in 1943–4. Only in 1945 did non-farm consumption fall to 2,000 calories and less, and normal consumer rations fell as low as 1,600 calories. Nevertheless, the state of health and nutrition was maintained remarkably well throughout the War.

In spite of an almost complete blackout on the statistical position of war-time Germany, the Western Allies were fairly well informed of the conditions of food and farming. In the words of an *ad hoc* Committee on German Food Supplies: 'The decline in total agricultural output was held within relatively narrow limits and comprehensive farm and distribution controls regulated production and its utilization to such an extent that an even higher output of ultimate food energy than before the war was secured. Moreover, imports and requisitions from other countries added from 10 to 15 per cent. to the home food supply.' In the event of Germany's collapse domestic supplies were expected to provide not more than 1,400 calories to the non-farm population in western Germany. To supply 2,000 calories to the urban population, import requirements of the order of 2·5 million tons were expected in the best of circumstances, and as much as 4 million tons if controls were to become partially ineffective.

In spite of this forecast, when the Allies entered Germany planning of the Supreme Headquarters Allied Expeditionary Force was based on the assumption that sufficient food would be produced in Germany to support the entire urban population at an average level of 1,750 calories per person per day during the crop year 1944/5 and that stocks would provide an additional 400 calories per day to urban dwellers. It was decided that no food relief would be provided in Germany except in an extreme urgency, and then only to the extent necessary to prevent disease and such disorder as might endanger or impede military operations or occupation.

Early in 1945 a maximum ration scale of 1,550 calories for the normal consumer was laid down, for a period not exceeding six months. No feeling of revenge entered into these decisions. The overriding consideration was the world supply situation. Unexpected developments inside Germany contributed to the serious state of affairs which developed. Food movements from east to west came to a standstill at the end of the War; 2 million people living in western Berlin had to be provided with food from the west instead of the east; finally, millions of people were expelled from eastern Germany and arrived destitute in the west.

It is not possible to give full details of the ups and downs in the

supply of foodstuffs during the years of occupation, but briefly it can be said that owing to misfortunes of various kinds, such as bad weather, breakdown of controls, maritime strikes in overseas supplying countries throughout the first three years of occupation, rations rarely reached 1,550 calories and often fell below 1,200, sometimes even below 1,000 calories.

The standard of 1,800 calories accepted under the Bevin–Byrnes agreement as the minimum necessary to support a reasonable economic recovery never materialized during the first three years of occupation. In 1947–8 food supplies improved slightly owing largely to increased imports, but the crisis of confidence in the stability of the German economy, in particular in the German currency, prevented a genuine recovery. Outside the bizonal area, owing to small imports and considerable takings by the occupying powers, the food situation was particularly serious. Consequently, the state of nutrition deteriorated slowly. Body-weights declined, and the state of health worsened, particularly at times when rations fell below 1,200 calories. All the characteristics observed in under-nourished people by the American nutritionist Ancel Keys, in his starvation experiment, were found in Germany: physical weakness, loss of ambition, fatigue, apathy, depression, and loss of libido.

Up to the middle of 1948 body-weights fell to 80–5 per cent. of minimum standard weights, and a state of chronic depletion was reached which did not permit full output of work. At that time fat and protein contained in the average diet of the non-farm population was 30 and 70 gr. respectively (compared with 110 and 90 gr. in the United Kingdom).

Body-weight records gave somewhat misleading results. If weight is to be maintained with inadequate food, work output must be decreased. This is what happened in Germany without being fully recorded. At the end of the third year of occupation, in the words of a Nutrition Survey, a compromise had been reached in which a loss of weight and lowered body metabolism had made it possible to maintain some degree of activity on a reduced food intake, but only at the expense of work output, which fell considerably below full capacity and pre-war levels. It was the combination of the loss of weight and decreased work which permitted the appearance of a fair nutritional state. In other words, at a reduced level of food intake, metabolism, and work output, a new physiological equilibrium had been created.

To break the vicious circle, every effort had to be made to produce and distribute a maximum supply of food from domestic sources. At pre-war level of production, farming in western Germany pro-

duced 1,700 calories per head per day, or 1,300 calories if related to the post-war population increased by about 8 million refugees. In fact, owing to losses in food production and to inefficiency of the food administration, only 1,000 calories and even less were available for distribution from domestic sources throughout the first three years of occupation. Thus there was no alternative but to insist on maximum production of bread-grains, potatoes, and sugar-beet, on the reduction of acreages under fodder crops, on the limitation of livestock numbers, and on the greatest economy in the utilization of foodstuffs.

Military Government intentions were sometimes misunderstood when the ploughing-up of grassland and the slaughter of livestock were ordered as a temporary expedient under emergency conditions, and unfortunately no use was made of inducements, such as fertilizers, in order to break any passive resistance of the farming community.

Some of the achievements of the production programme existed on paper rather than in reality as long as the illusion of a stable economy and the principle of fixed prices were maintained. As distribution and prices of industrial goods were not controlled fully, prices of raw materials and consumer goods rose by 50 to 100 per cent. above pre-war, while farm prices were kept at about 25 per cent. above pre-war. Thus the value of farm sales declined and farmers could maintain their incomes only through black-market activities. Nothing short of a currency reform could remedy the situation, provided it was combined with a revision of prices and price relations.

Late in June 1948 a uniform currency was introduced in western Germany, followed by another reform in the Russian zone. The economic and political clash which led to the blockade of Berlin has been reported throughout the world and need not be discussed in detail on this occasion. Outside Berlin consumer goods appeared over-night and created the impression of a rapid recovery and return of pre-war prosperity. For a time serious economic disparities remained undisclosed. While industrial controls were lifted immediately after currency reform, food and farming remained strictly controlled. The divergence of views between the Department of Economics and the Department of Food and Agriculture led to a further widening of the price scissors. Nevertheless, a good deal of the recovery was genuine. It was largely due to exceptionally big crops, a very mild winter, and considerably increased imports of foodstuffs, raw materials, and consumer goods. By the end of 1948 the scarcity of goods had changed into a scarcity of money, and the inflation had been replaced by the beginning of a deflation.

Rations of normal consumers rose to 1,850 calories, those of the whole non-farm population to more than 2,000, and total consumption, including non-rationed foods, to 2,400 calories, compared with 2,100 during the previous year. Meat and fat rations were greatly increased, and thus the composition of the diet improved. Consequently body-weights increased, birth- and death-rates returned to pre-war normal, and signs of undernourishment disappeared almost completely. Yet the consumption was only of the same order as in 1943–4 and the diet was considerably more monotonous than during the war.

The improved food supply had immediate effects on industrial output, which rose in the bizonal area from 50 to 80 per cent. of 1936, but less in the French and Russian zones and in Berlin, so that total German output stood at 60 per cent. of 1936. The supply of consumer goods was about half as much as before the war. Against this, the supply of foodstuffs amounted to four-fifths of pre-war.

The improvement was due to both increased domestic and imported supplies. Total supplies rose from 7·5 million tons flour equivalent before currency reform to more than 10 million tons in 1948–9. Of this, about half was home-grown. For the first time concentrated feeding-stuffs were included in the import programme and thus domestic maintenance fodder put to better use than before. The total expense for food and fodder imports rose to almost $900 million compared with less than $600 million previously.

Prices and price relations were corrected in the course of the year. Before the correction, those of potatoes and butter were 70 to 80 per cent. above pre-war, sugar-beet and livestock 15 to 25 per cent. dearer than before the War, and grain stood at the pre-war level. As a result potato production increased far beyond the target, and farmers tended to sell potatoes but to keep grain for feeding purposes.

In the autumn of 1948 grain and meat prices were raised, and a more satisfactory price ratio was thus achieved. At the same time more and more controls were abandoned, and the useful attempts of previous years to evaluate production and delivery by a common denominator, the grain unit, were also given up. Since in former times only the production of arable crops had usually been counted, the introduction of the grain unit as a common denominator had formed a considerable improvement. As production is very uneven throughout the German farming industry, agricultural economists may well return at some later date to this convenient yardstick for purposes of comparing productivity of different farms.

How vulnerable the German farm economy still is became evident

when a few months ago Military Government requested that in future food imports should be sold on the German market against prices calculated at the official rate of exchange instead of being sold at an arbitrary domestic price. The recent drop in world prices made the solution of the problem easy, but devaluation would reverse the situation. In any event, the basic economic problem remains whether Germany, lacking a viable economy, can afford to exist without a minimum of planning, controls, and State interference, and can do without certain buffers, such as subsidies, for the most vulnerable sections of the community. Recent setbacks, such as the cancellation of contracts and the increase of unemployment, suggest that caution is advisable in the removal of controls in a country in which the inequality between the rich and the poor is greater than anywhere else in Europe. At present, in spite of economic recovery, approximately every fifth family is still short of the barest necessities of life, such as a dwelling, some furniture, household goods, and a reasonable supply of foodstuffs, and has little prospect of meeting its minimum needs.

Before giving an outlook into the future I have been asked to insert a few words on land reform, a somewhat controversial subject in Germany to-day. At the Crimea and Moscow Conferences the Allies had agreed on measures of land reform in defeated Germany, in the belief that they would thus remove one of the forces which in the past have contributed towards preparation for war. In the Russian zone, immediately after occupation, expropriation laws were produced spontaneously from above, and all farmers with more than 250 acres of land were dispossessed. Some 10,000 land commissions broke up much of the land, and almost 5 million acres have by now been distributed and divided into more than half a million new units. Another 6 million acres of land belonging to large owners were lost to German land reform, as they were taken over by the Polish administration east of the Oder–Neisse line.

Only one-fifth of the land owned by large farmers was situated in western Germany, and land reform would have been of relatively little importance in the west had it not been for the practical consideration that land was needed badly for the settlement of some of the refugees who had been farmers and farm labourers in the east. While the main political parties have given some support to the principle of land reform much of it has been half-hearted, and the political controversy has been somewhat heated. The right-wing parties are in favour of a very limited land reform, and the Socialists are divided among themselves as to whether the dispossessed land

should be farmed in large units on co-operative lines or divided into small units to be given to small-holders and new settlers.

It appears that the controversy was mainly due to some error of definition. A large farm is not necessarily a large economic unit in the same sense as a large industrial enterprise, characterized by large investment of labour and capital. On the contrary, as a rule it is supplied with less labour and equipment per acre than a small farm. In developed areas with a high density of population the large estate in the past often tended to be economically backward, and its owner was often inclined to preserve an out-of-date way of farming through political means. In a few sentences the problem can only be touched upon, but a comparison between a Danish bacon farm and a Hungarian grain farm might illustrate the position. In the economic sense the 'small' Danish bacon farm forms a larger economic unit than the 'large' Hungarian grain farm. If these economic facts had been recognized generally, the controversy about the ultimate use of farms expropriated under land reform would hardly have arisen, and the dispute between the two main political parties might have lost its sting.

As matters stand now, in the American zone a progressive land levy ranging from 10 per cent. in the case of farms of 250 acres to 90 per cent. in the case of those of more than 4,000 acres is contemplated, while in the British zone no person is to be permitted to own more than 250 acres of land or the equivalent land assessment value. In the French zone the limit is fixed at 375 acres. The total number of farmers likely to be affected in western Germany is 4,000, with an agricultural area of about 1·5 million acres, or about 5 per cent. of the total agricultural area. Thus land reform in western Germany is a matter of somewhat limited importance, but the possibility of the provision of settlements to some of the eastern refugees should not be under-rated.

The amazing speed of Germany's recent recovery might easily deceive the observer inside and outside Germany. The real test is yet to come. Present prosperity is largely based on large-scale foreign loans. The crucial question is whether Germany will achieve a degree of economic viability which will save her from a sudden recession when outside subsidies cease.

Planning estimates for that time have been made by Allied and German agencies; first by the Bizonal Director of Food and Agriculture for a future 'normal year', then for the Committee of European Economic Co-operation, and recently for the Organization of European Economic Co-operation. The latest plan is based on a future

consumption level of 2,700 calories, of which 1,600 calories, or 60 per cent., are to be provided from domestic crops, while the remainder will have to be imported at the cost of almost $1,300 million (at 1948 prices). However, if world market prices should fall below present levels the cost of food imports may be a good deal lower than was estimated at the time in the long-term programme for the Bizonal Area.

Even so it seems doubtful whether this plan can be fulfilled. In western Germany 8 million farmers will have to produce food for themselves and for 23 million town-dwellers, leaving 21 million consumers, or almost half the non-farm population, dependent upon outside supplies. Whilst this forms a safeguard against a new drive towards food self-sufficiency, it is nevertheless a disturbing feature. Unless east–west trade can be expanded to pre-war level and beyond, fierce battles on the export markets of the Western Hemisphere are likely to take place.

Present planning is mainly based on the assumption of an early return to pre-war 'normal'. As the face of continental Europe has been changed beyond recognition, bolder planning and action are likely to be required. Sizeable reserves are still untapped in German farming, particularly in livestock farming and feeding practices. Two-thirds of the agricultural area are used for fodder production. Through the improvement of grassland, the fullest utilization of maintenance fodder, the feeding of livestock on a mixed diet based on a maximum of root crops and silage and a minimum of concentrates, at least one million tons grain equivalent or 250 calories per head per day may be saved for human consumption. A similar amount can be mobilized through the use of 250,000 tractors. If the tractors are used in combination with cultivation equipment, 350,000 horses may become superfluous.

A programme of this kind may produce close on 2,000 calories per head per day, or two-thirds of a future German consumption level. It cannot be Germany's aim to become self-sufficient once again in any of her main foodstuffs, but a programme of systematic intensification of farming is likely to reduce Germany's dependence on outside supplies to manageable proportions.

To this end a certain amount of State planning and interference may be unavoidable, as the changes of supply and demand and prices may be too crude a means of directing production and distribution for the common good, in a country in which the margin of flexibility is small and economic experiments, which richer countries can afford, may be too expensive. While it would be a mistake if the

outside world expected a speedy and full recovery in Germany without continued help from abroad, it would be equally dangerous for Germany to rely on outside help whenever matters take an unfavourable turn.

If I may sum up the lessons learned by scientists and economists in the painful process of recent German recovery, they seem to be threefold: First, those nutritionists have been confirmed in their views who have always held that body-weights and changes in body-weights are not necessarily an accurate index of dietary adequacy of energy-producing foods. Food intake and industrial output have to be recorded simultaneously in order to obtain a complete picture of the state of nutrition of a population living under conditions of under-nourishment.

Secondly, in an economy of scarcity in which the production and distribution of domestic foodstuffs has to be planned and controlled, a common denominator for all agricultural produce is highly desirable. Among those denominators which have been tried the grain unit seems to be the most satisfactory. This unit can also be used with advantage in an uncontrolled economy when farm economists wish to compare productivity and production potential of various farms or farm districts.

Finally, in the discussion about land reform and the advantages of small and large farms it has become clear that the definition by size (acreage) is unsatisfactory, if not misleading. If in future the question of farm sizes is discussed on the assumption that investment of capital and labour, and not acreage, is the determining factor, agreement between opposing views may be possible.

In fact, one might doubt whether the revolution in Russia and the land reform enforced recently in eastern Europe might ever have led to collectivization in intensive farming districts if the error in definition had been recognized at some earlier time. For further discussions on the advantages of various farm sizes and on peasant farming as opposed to large-scale farming, the meaning of the investment of capital and labour on farms of different sizes might usefully be pursued farther at later conferences of this international gathering of agricultural economists.

E. F. NASH, *University College of Wales, Aberystwyth, Wales*

Dr. Klatt said in his conclusions that experience of the grain-value system had shown the usefulness of the measurement in terms of some common unit for various scientific or statistical services. But attempts have actually been made in Germany to use it for more than

that, and to evolve a system of grain-value measurements as a basis for the delivery quota obligations imposed upon the farmers. Although I have not been able to follow the working of this system in detail, my general impression is that it merely introduced a great deal of confusion. I should not have thought that it had contributed at all to improving deliveries. Indeed, it seems very likely that it made it worse. I wonder if Dr. Klatt would agree that whatever the grain-value idea for scientific or statistical purposes, it is not very effective as a system of control. It would probably lead too far to go into the whole question of the method of finding a common denominator, but I think I can say briefly that I never believed the grain unit would be a successful means of improving farm delivery unless it was combined with an inducement scheme. The latter was opposed, unfortunately in my view, in Germany both by Military Government and by most Germans in responsible positions. If one compares the grain unit as it was meant to be applied to deliveries with the system which was in force under the Nazis, I believe that it could have brought improvement if the general tendency had not been against controls of all kinds, because it covered not only the main foodstuffs, the main field crops which were solely controlled by the Nazis, but also animal produce to its full value, as far as we know, and also odd crops like horticultural crops, the produce of vineyards, and so forth.

E. M. H. Lloyd, *Ministry of Food, London, England*

Am I right in understanding from what Dr. Klatt has said that the internal price level of wheat in Germany, which probably means bread grain, is on the same level as the present world market price, or is there still a disparity, and in consequence still a subsidy, in existence?

W. Klatt

I am not certain if my information is entirely up to date. It might be much better for Dr. Hanaü to reply. To the best of my knowledge, however, there is still a slight disparity which cannot be clearly defined as long as it is not quite certain whether grain imports in the next crop year will be sent to Germany at the price which has been agreed under the Wheat Agreement, or whether Germany will in any way be treated more or less favourably. I understand that Germany is likely to come into the orbit of the Wheat Agreement, in which case the margin of disparity between the two price levels will be fairly small; and the common German thought at present is that it

is desirable to bridge the disparity for a limited period of a few months by a subsidy on bread. At the same time there is a desire to abolish the subsidy altogether fairly soon, and it has been worked out by Professor von Dietze, Dr. Hanaü, and various others, that the increase in cost of living will be less than 2 per cent. over all if the whole burden of a price increase is passed on to the ultimate consumer.

DR. SCHILLER

I hope I may be allowed to add a little to this discussion. On the question of grain value, Professor Nash's scepticism is quite justified. This kind of control was tried as a basis of land value, and led to great confusion. We have, however, another experience. We tried this system of grain value for control and delivery in wartime in Hungary, and there it worked quite well, much better than it works now in Germany.

On a point of fact, I would like to make reference to Dr. Klatt's statement about the supply of food to Germany during the War from other countries outside the boundaries of the Reich. I am not sure that what he has said gives a true picture. In considering the food contribution of the occupied territories to the German economy during the war years, one has to differentiate between the consumption of food by the German forces outside Germany's frontiers and the actual import into the territory of the Reich. The latter was only small, and therefore the food supply of the German population living at home and of the foreign workers employed in Germany was met to a large extent from German domestic sources.

W. KLATT

I want to make it clear that in my paper I referred to the total quantity of food from foreign sources, whether requisitioned or imported against payment.

Just one brief remark. I do not want to enter into a discussion on statistics, but I do feel that Professor Schiller has referred to what are historical facts. The figures of what I called imports were meant to be the total surplus of sources outside Germany taken, requisitioned, or paid for by the German Army or by the German Government. They were taken from the statistical handbook which the German Minister of Food and Agriculture handed to the American Military Government at the surrender. I have vetted these figures most carefully, and I would not quote them if I had not convinced

myself that they were all checked and cross-checked and proved, if anything, that the figures were on the conservative side. I have not got all details ready here, but I can say that in one single year, in 1943–4, not less than between 4 and 5 million tons of grain alone were taken from Russia and eastern Polish territories, to say nothing of several hundred thousand tons of meat and oil equivalent, and eggs and other things. All these data were most carefully and meticulously recorded in the statistical record of the former German Minister of Agriculture, and they are taken from there.