



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

PROCEEDINGS
OF THE
FOURTH INTERNATIONAL CONFERENCE
OF
AGRICULTURAL ECONOMISTS

HELD AT
ST. ANDREWS
SCOTLAND
30 AUGUST TO 6 SEPTEMBER 1936

LONDON
OXFORD UNIVERSITY PRESS
HUMPHREY MILFORD
1937

*3cnd**1 2 3 1*

THE AGRICULTURAL SITUATION IN BELGIUM

G. BAPTIST

State Agricultural College, Ghent

THE predominant factor which has brought about the present economic situation in agriculture in Belgium is the devaluation of the franc in April 1935. The influence of this devaluation has been so preponderant that I propose to treat the whole question of the Belgian agricultural situation from the point of view of the problem of selling prices, costs of production, and their inter-relation. I am all the more inclined to treat this subject from this point of view, because I believe that all the economic ills from which we suffer must be attributed to a monetary origin, and the whole of the so-called causes of the crisis, over-production, under-consumption, difficulties of foreign commerce, &c., are mostly a consequence of the sudden drop in general prices which started in 1930.

The policy of deflation, which consists in lowering the cost of production to meet the fall in prices, ended in failure. After the two dry years of 1933 and 1934 and the continual slump in prices, the economic situation of agriculture in Belgium reached a crisis. The big farms, which were particularly hard hit by the low prices of basic commodities, exhausted their liquid capital. Even on the small rented farms where family labour is plentiful, it became difficult, if not impossible, to pay the rent. It was, above all, the low prices of the products of stock breeding which affected Belgian agriculture, of which 70 per cent. of the total output is animal products. Belgium is a country of small and medium farms (Table I) and live-stock breeding is important especially where the land is poor.

In order to enable the foreign observer to understand the agricultural situation at the end of 1934, one must point out that Belgian agriculture, although very little protected, had managed to put up a reasonably long resistance to the crisis. It can only be explained by the fact that Belgian agriculture is thrifty and has generally an abundant supply of family labour. There was no indebtedness, and our country had already passed through a period of readjustment since the stabilization in 1926.

By contrast, two circumstances made the slump in prices all the more hard. First of all, Belgium is a densely populated country where the demand for fertile soil is great, which naturally results in

high rents. Second, cultivation is intensive in these parts, and cost of labour is necessarily high. Rents and cost of labour, which vary little, form a large percentage of the cost of production. For 18 holdings, in the environs of Ghent, the cost of labour represented,

TABLE I. *Area of Farms in Belgium*
(taken from the Census of 1930)

Size of farms	Number	Area in ha.	
		Total	Average per farm
Less than 1 hectare . . .	838,883	131,146	0·16
From 1 to 5 hectares . . .	194,914	520,115	2·67
5 to 10 " . . .	56,311	413,415	7·34
10 to 20 " . . .	27,882	397,821	14·26
20 to 30 " . . .	7,010	173,138	24·70
30 to 50 " . . .	3,656	143,205	39·17
50 to 100 " . . .	2,026	142,491	70·33
Over 100 " . . .	464	76,247	164·32
Total	1,131,146	1,997,578	..

on the average for the years 1932, 1933, and 1934, 34·3 per cent. of the total cost of production, and the interest on real estate owned by the holder and rents 14 per cent., making a total of 48·3 per cent. without counting the interest on the non-real estate capital investment.

In spite of an import tax of 10 francs per 100 kg. on wheat, barley, and rye, of 24 francs per 100 kg. on oats, of 8·50 francs per kg. on butter, and the quotas on horses, pigs, meat, and dairy produce, the decline in the price index from December 1929 to December 1934 was for wheat 60 per cent.; rye, 46 per cent.; oats, 47 per cent.; barley, 48 per cent.; potatoes, 25 per cent.; butter, 40 per cent.; eggs, 59 per cent.; fat cattle, 46 per cent.; pigs, 71 per cent.; horses, 11 per cent.

TABLE II. *Financial Returns of Seven Farms: Region of Ghent, Belgium*

	1932	1933	1934
	francs	francs	francs
Average gross output . . .	86,739·51	76,136·61	81,043·23
Average costs of production . . .	84,233·24	86,933·20	88,184·13
Profit or loss	+2,506·27	-10,796·59	-7,140·90
Profit or loss per hectare . . .	+133·82	-576·50	-387·64

Seven agricultural undertakings in the sandy eastern part of Flanders, costed at the State rural economic station at Ghent, which we have been able to follow for several years made an average profit of 2,506 francs in 1932, a loss of 10,797 francs in 1933, and a loss of 7,141 francs in 1934 (Table II). Calculated per hectare these profits and losses amount to +134 francs, -576 francs, and -387 francs.

The devaluation had the effect of rectifying the balance between farm receipts and cost of production. The rise in production costs was not so rapid as the rise in farm receipts. The gap between the two, therefore, diminished gradually from April 1935 until November of the same year, but afterwards increased somewhat again as a result of a slight adjustment in production costs, a seasonal drop in certain selling prices, and a fall in the price of pigs (Table III).

TABLE III. *Index Numbers of Production Costs and Farm Receipts in Belgium (Belgian Boerenbond)*

(1909-1914) = 100

		Production cost	Farm receipts	Difference
		Index	Index	
1909-1914	.	100	100	..
1929	.	140	133	- 7
1930	.	131	115	- 16
1931	.	122	94	- 28
1932	.	112	76	- 36
1933	.	98	70	- 28
1934	.	94	67	- 27
1935	January	91	66	- 25
	February	89	62	- 27
	March	87	59	- 28
	April	65	47	- 18
	May	64	49	- 15
	June	65	52	- 13
	July	65	52	- 13
	August	65	54	- 11
	September	66	56	- 10
	October	66	59	- 7
	November	67	60	- 7
	December	67	59	- 8
1936	January	69	60	- 9
	February	69	59	- 10
	March	69	56	- 13
	April	69	56	- 13

While in March 1934 the difference between the gold index figure of farm receipts and the gold index figure of production costs was -28, the gap was reduced to -7 in November 1935, and later increased to -13 in April 1936.

Amongst the principal farm products the prices of which rose most after the devaluation, special reference should be made to wheat and potatoes (Table IV). In comparison with March 1935, the prices, expressed in terms of the average of 1934, had risen to 77 per cent. for wheat, and 82 per cent. for potatoes. The price of rye increased by 19 per cent., the price of oats by 29 per cent., flax

by 20 per cent., and barley by 5 per cent. (Table IV). Obviously certain of these rises are greater than the mere adjustment to the devaluation; others are less, because during the period under review the world price of wheat rose, that of barley and flax fell, and the

TABLE IV. *Changes in the Price of Agricultural Products in Belgium since the Devaluation**

Products	Index of prices in per cent. of the average of 1934 (Seasonal variations not deducted)		Index of prices expressed in per cent. of the average 1927-1930 (Seasonal variations deducted)		Index of prices of the Belgian Boerenbond 1909-1914 = 100		Increase	
	March 1935	March 1936	March 1935	June 1936	March 1935	April 1936	Units	Per cent.
A.								
Wheat . .	94	166	..	..	..	..	+72	77
Rye . .	107	127	..	..	..	..	+20	19
Oats . .	110	142	..	..	..	..	+32	29
Barley . .	118	124	..	..	..	..	+6	5
Potatoes . .	88	160	..	..	..	..	+72	82
Flax . .	132	158	..	..	..	..	+26	20
B.								
Butter . .	..	..	64	74	..	..	+10	16
Eggs . .	..	..	49	64	..	..	+15	31
C.								
Horses . .	..	..	..	..	308	418	+110	36
Fattening cattle . .	..	..	..	..	503	599	+96	19
Pigs . .	..	..	..	..	369	562	+193	52

* In the case of butter, the price quotations used as the basis of calculation include the import tax; the index, therefore, does not correspond exactly with the reality.

potato crop was poor. The price of cereals includes the import tax mentioned above. This has not varied in proportion to the prices.

Among the live-stock products I would mention first of all butter and eggs. Allowance being made for seasonal variation, prices of butter and eggs were respectively 31 and 16 per cent. higher in June 1936 compared with March 1935. From March 1935 to April 1936 the price of horses rose by 36 per cent.; fat cattle by 19 per cent.; pigs by 52 per cent., though for this last it was difficult to determine how much of the changing prices was attributable to the devaluation and how much to the cycle.

Belgium is, above all, an industrial country where it is sometimes difficult to allow measures of protection for agriculture. Nevertheless, the Government took certain measures of light protection,

principally during 1933 and 1934 when the agricultural situation was most difficult. These measures may be summed up as follows :

- (a) Placing of import taxes (some of which have been referred to above) on wheat, rye, barley, oats, butter, potatoes, pigs, horse-flesh, lard, &c.
- (b) Fixing of quotas for export and import of eggs, pigs, cattle, meat, and dairy produce.
- (c) Paying of bonuses to the farmer, which amounted to 500 francs per hectare for wheat for the harvest of 1934, and 200 francs for that of 1935; for rye, barley, spelt, and meslin 200 francs per hectare in 1934, and 150 francs in 1935.
- (d) Imposing trade regulations; thus, for example, the responsibility of stating the source of butter placed on sale was introduced; it was forbidden to sell mixtures of butter from different sources; to add foreign matter to the milling of cereals; to manufacture or to import mixtures of manures or food-stuffs without a certificate of the Ministry of Agriculture; and so on.
- (e) Control of production of emulsified fats in order to prevent competition between those products and cream.
- (f) Propaganda for increasing milk consumption.

In practice, the import taxes and quotas often vary according to the economic situation and from time to time are temporarily suspended. Thus the quotas for butter, pork, beef, salted meats, and pork fat were decreased after the devaluation in 1935. The special tax on imports of lard was removed on August 23, 1935, and that on pigs on September 1 following. On November 1, 1935, the tax on imported butter was lowered from 6 francs per kilogramme to 4.5 francs for the rest of the year, and from January 1, 1936, the duty on imported butter was raised again to 6 francs per kilogramme. Meanwhile, this protection, although very light, was of great importance; the cereal duties helped the large producers of cereals, and the live-stock product duties, particularly butter, helped the smaller undertakings.

From the above remarks it will be seen that the position of Belgian agriculture has improved since the devaluation. It found itself in an exceptional position owing to the fact that selling prices increased rapidly, whilst the costs of production remained comparatively low. The farmer bought at favourable prices part of his seed, manures, and store cattle. He paid wages which were not yet influenced by devaluation. Consequently, he now sells with an abnormal margin of profit, or at a lower margin of loss.

Up to the present, therefore, devaluation has had a good effect, but we must wait some time to see what permanent good has resulted. Even if one day the present crisis passes, Belgian agriculture will never again pay, as has been the case since the War, a return on labour and capital equivalent to the returns prior to 1914. This situation results from the increasing competition in agricultural products which, since the War, the older continent has had to contend with from the new countries. In order to escape from this last difficulty, the principal solution is to be found in production of the highest quality. Unfortunately, progress towards products of the highest quality has been difficult in recent years, as, in order to produce them economically, it is necessary for selling prices to be high.