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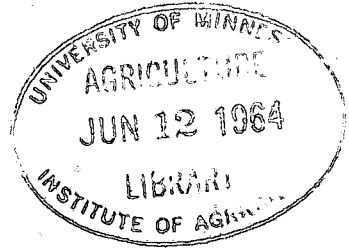
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CONFLICTS BETWEEN LOCAL INTERESTS AND
NATIONAL PLANS IN RELATION TO
AGRICULTURAL DEVELOPMENT

I

I SHOULD like to consider this subject by taking examples from Japan. In so doing I would begin by identifying the problems involved. In my view, they are as follows:

First, what is the nature of national planning, in the general sense of the term, in relation to agricultural development, and how are the plans to be carried out?

Secondly, by what implications and in what way does planning give rise to conflicts with local interests?

Thirdly, what measures should be adopted in order to solve such conflicts or co-ordinate such interests?

II. *General character of the national plan in relation to
agricultural development*

National plans drafted for the development of agriculture differ greatly according to the nature of the problems faced by each country at the time of drafting. However, apart from such cases where land reform is planned and carried out, when the object is to change the basic structure of land-ownership itself, it may be considered that the direction of national planning is generally affected by certain distinguishing characteristics inherent in agriculture. First, since there is a strong tendency for agriculture to be a competitive industry and for the increase in production brought about by technical advance to be passed on to the consumers in the form of lower prices instead of providing the producers with a greater profit, there is not much inducement for individual farmers to undertake large-scale and long-term investment in the technical improvement of agriculture. As a result, technical improvement of agriculture tends to lag behind. This accounts for the fact that many more resources are required for agricultural production, if other factors are to be disregarded, and

hence it works to this extent as an obstacle to economic development. Thus it becomes clear that while in most countries research and extension work in agricultural technology are undertaken by state or public bodies, the first problem to be tackled in national planning is to push forward technical research as much as possible on the one hand and, on the other, to diffuse advanced technology among farmers as rapidly as possible in order to raise the level of agricultural productivity.

The second distinguishing feature is a plan to stabilize the price of agricultural products, because these prices vary greatly owing to the technical instability of agricultural production and general weakness of demand elasticity of products. Also, great changes in demand caused by the business cycle are responsible for the utmost instability of the price of agricultural products. Furthermore, it is well known that there are cyclical variations in the supply of agricultural products—modelled in the so-called 'cobweb theorem'—which also contribute to the instability of prices. It needs no emphasis that this instability would be an obstacle to the stable growth of a national economy.

The remedy is naturally stabilization of both supply and demand. Several attempts have already been made. But what is more frequently adopted is a plan to stabilize the prices of agricultural products within certain margins by such intervention as the purchasing or selling of the products by the government.

The third problem is related to the fact that as the demand elasticity of agricultural products is low, the raising of the technical level of agriculture will result in a relative lowering of the value productivity of resources in agriculture. Therefore the need arises of moving resources from agriculture to non-agricultural industries. In other words, the rise in the technical level of agriculture results in a general relative lowering of functional incomes in agriculture. From the viewpoint of effective utilization of resources of a country as a whole, it is not reasonable to let such a situation continue. Moreover, resources in agriculture do not always flow out smoothly in response to the relative lowering of functional incomes in agriculture. Thus it becomes the third theme of the national plan to move such 'surplus' resources in agriculture to the non-agricultural sector with higher productivity, as this step will open up a vista of economic growth of a country as a whole, with the expansion of the non-agricultural sector playing a central part.

In Japan national planning for agricultural development has been carried out along the lines mentioned above. As a result, during the period between 1888-9 and 1956-60 the real net output of the primary industry, which is chiefly agriculture, increased by about four times and the ratio of agricultural population in the employed population decreased from 75 per cent (in 1888) to 29 per cent (in 1962). The functional income in agriculture was always lower than that in the non-agricultural sector. But it attained an absolute fourfold increase in the course of this development. That is to say, agricultural productivity increased remarkably as part of the national economy of Japan, and it is considered that national planning played no small role in producing such an increase. There is no denying, on the other hand, that the national plan gave, and is at present giving, rise to conflicts with local interests based on those of individual farmers.

Here I would like to examine the character of the conflicts between national and local interests and the process of co-ordinating them in connexion with the Land Reform, which is considered to have given rise to the largest and most severe conflicts in the modern history of Japan, and then to examine in a similar way these conflicts in relation to each of the aforementioned aspects of national planning. I want to do this because I think that land reform is rather difficult to carry out in the course of ordinary national planning and also because I am interested in the fact that the character of these conflicts produced by such reform has often certain factors in common with ordinary agricultural policy and displays these in an extreme form.

III. *Conflicts in the land reform*

The land reform in Japan which was carried out in the two years following 1946 was epoch-making in that it transferred the land ownership of two million Ha, or 80 per cent of the rented land, to the tenant farmers at very low cost to them. With regard to the rest of the land it changed the rent paid hitherto in kind to a monetary payment and greatly reduced the level of rent. Actually a measure was taken by which all the land of the absentee landowners and all the rented land of resident landowners exceeding the national average holding of 1 Ha (3 Ha in Hokkaido) was sold compulsorily to the government, with the prices of land capitalized on the basis of rice prices fixed by the government, and was then sold to the tenant farmers. This measure gave rise to conflicts because it worked for a great decrease in the property of the landowners who had to give up

their land. As the land price which was fixed at the time of the reform was not changed in spite of the violent inflation that followed, the real value of the money which the landowners received by releasing their land decreased and became almost equal to that of the annual rent paid before the last war. On the part of the tenant farmers, it became possible to buy land with the money which had about the same value as the annual rent of the pre-war days. This was very welcome for the tenant farmers as a kind of windfall gain, but it supplied the landowners with backing for their resistance to the reform.

Nevertheless, the reform was carried out peacefully. What, then, were the reasons? The first was that there was little possibility for land to have its free-market value as the opportunity for producing agricultural products freely was greatly limited by the strict commodities control continued from war-time and because there was little room for farmers to obtain free market prices for rice and other products. It was generally considered at that time that the strict control of production would continue for a long time to come, and the government itself declared that this was its intention. Also, there were not enough goods to be purchased and there was no alternative but to save income in the form of a deposit in banks or co-operatives. Such a situation was responsible for weakening the resistance by the landowners to the process of determining the price of land to be released on the basis of a rent which was artificially depressed.

The second reason was that the release of land was carried out in the form of a legal transaction through ordinary legal procedure. The transaction was a juristic act executed between the landowners and the state with the land price calculated according to a reasonable formula; and the same situation obtained between the state and the tenant farmers. No form of property confiscation was adopted. The only problem was the inflation which made the fixed land-price very low in its real value. It was said that blame was not due to the reform itself but to the inflation. This worked to mitigate the resistance against the reform to the extent that the dissatisfaction of the landowners was diverted partly, if not entirely, to the inflation.

Thirdly, the landowners' dissatisfaction was in part weakened by allowing the resident landowners to own their rented land to a certain extent. As has been mentioned before, almost 20 per cent of the rented lands remained as they were. This means that some 68 per cent of the old landowners owning rented lands could more or less keep them as such. As these landowners are at the same time small-

scale farmers who tend, if necessary, to cease leasing their land in order to cultivate for themselves, they might have been placed in a position of the most tenacious resistance and rooted objection to the land reform. But the reform was made easier by creating a kind of 'buffer zone' for soothing the landowners.

Fourthly, and what is most important, is that the reform was backed by the memorandum and the recommendation of the occupation forces in Japan. In the memorandum concerning the Land Reform issued on 9 December 1945, the Headquarters of the occupation forces emphasized the importance of the land reform for the democratization of Japan and directed the Japanese Government to submit a concrete plan for the reform by 15 March 1946. Thereafter, until the enactment in October 1946 of a law for land reform, the Headquarters encouraged the government continuously by issuing recommendations and other methods. Even during the course of implementing the reform project, they sent itinerant inspection teams throughout Japan to push the reform forward. Needless to say, this attitude on the part of the occupation forces proved decisive in suppressing the group opposing the reform.

But what is to be noticed is that this reform was supported and pushed forward by those concerned in the conviction that it was in the national interest of Japan that landowners and tenant-farmers should not fight against each other concerning the redistribution of land. This would have endangered national unity and therefore was not the attitude to be taken by a nation under military occupation by foreign forces. The landowners were for this reason asked to sacrifice their own interests to a certain extent. On the one hand it was emphasized that the land reform was necessary as one of the most basic policies for overcoming the food shortage in those days. On the other hand it was pointed out that strong expressions of opinion and criticism of traditional rural conditions were being voiced in those foreign countries which regarded the rural areas of Japan as hot-beds of militarism, and hence called for their reorganization. Enlightenment and persuasion along these lines were made repeatedly through newspapers, radio broadcasting and other mass media. In addition, to create a favourable climate for the reform, diplomas of honour and prizes were given to the landowners who released their land to the tenants. It was successful and there were even cases where landowners and tenants, whose interests should have been in conflict, got together at a ceremony for the transfer of land, the former

congratulating the latter for obtaining new land of their own. The landowners themselves gained satisfaction for having contributed to the 'important policy for the reconstruction of the country' and expected their tenants to prosper as 'glorious independent farmers'. And the tenants pledged themselves to live up to such expectations.

In this way the land reform was carried out peacefully in Japan as a so-called 'revolution without bloodshed'. But with the gradual fading out of the above-mentioned conditions, dissatisfaction of the landowners began to manifest itself in various ways. By the easing of the control on agricultural products and the abolition of the control on land prices, the forces for forming land price recovered and there occurred many cases of so-called 'constitutional lawsuits' complaining that the price of land sold to the government under the land reform was unduly low. Although the reform itself was judged as constitutional by the Supreme Court in 1953, the movement for demanding compensation in some form or other to the landowners who released their land has persisted up to date, and is now one of the difficult political problems in Japan.

In sum, it may be pointed out that in carrying out a land reform care should be taken to see that the reform is closely related to the special background of the particular country, politically, socially and economically.

Also, the Agricultural Land Law of 1952, which was enacted to establish the fundamental principles of land policy after the completion of the reform, prohibits absentee owners from owning land and resident owners from owning more than 1 Ha (in Hokkaido 4 Ha) of the rented land. It also prohibits small owners having less than 30 ares (in Hokkaido 1 Ha) of land and large owners having more than 3 Ha (12 Ha in Hokkaido) of land from acquiring new land. The controlled rent rate was revised only once, in 1955. This means that the freedom of landownership and leasing is greatly limited. The criticism is made that, under such a situation, on the one hand farming cannot develop on a large scale with more efficiency while on the other hand small and inefficient farming cannot disappear. At present the farming labour force in Japan is decreasing by about 3 per cent each year, and the farm families only by 1 per cent. As a result the percentage of the farm families engaging in subsidiary jobs in the total number of farm families increased rapidly and reached 43 per cent occupying 20 per cent of the total arable land in 1962. The land system

is considered to be largely responsible and this is giving rise to strong complaints that the system is, generally speaking, functioning toward suppressing productivity.

IV. *Conflicts in the promotion of agricultural technology*

Let me next explain about the conflicts arising in connexion with the improvement of agricultural technology. In this phase national planning was applied mainly in three ways. One was the creation and dissemination of improved seeds, the second was the promotion of land improvement and the third was encouragement in the use of effective fertilizers. With regard to seed-improvement, the government took the policy of establishing early in 1893 the national experimental station of agriculture and of subsidizing the distribution by extension workers of the improved seeds. Inherent in this distribution is the problem that the pioneering farmers who are to introduce the improved seeds before other farmers might hesitate to do so for fear of running an economic risk resulting from such introduction. But once the economic superiority is proved and made known to the public, the distribution can be comparatively speedily done, as is usually observed in competitive industries. Thus, there is no problem serious enough to be called a conflict, and at present superior seeds of rice and wheat and barley bred at the experimental station of the Ministry of Agriculture are widely used by ordinary farmers in Japan.

The problem lies rather in the second method, i.e. land-improvement projects. These projects consist of such technical matters as flood control, irrigation, drainage and reclassification of farm land. These projects have special implications in such a country as Japan where paddy fields occupy the major part of farm land. Small-scale projects were carried out by individual farmers and landowners or by their co-operatives early in the period preceding the Meiji Restoration of 1868 when Japan began to emerge from its feudalistic society by introducing western civilization. But with increasing scale, such projects can no longer be done by voluntary co-operatives of individuals. Speaking from the point of view of efficiency, it is natural that the larger the project, the greater becomes the productivity. But it is not easy to obtain consent to the project from all the people concerned in the area to be covered by it. And because of the technical nature of the project, the work has to cover the whole area.

Thus the Japanese Government adopted two measures to promote such projects. The first was to provide a legal basis for the organization aimed at the whole area concerned. This was established in the Arable Land Replotment Law of 1899 and has become the traditional principle in legislation of this kind. This measure enabled the implementation of large-scale projects covering thousands of Ha. Such an enforcement may be regarded as inevitable and peculiar to agriculture as a measure for solving conflicts which arise when the national benefits of large-scale economy diverge from the vested interest of individual landowners. Whether the project is for irrigation or for drainage, though it will bring forth an improvement of soil conditions in the area as a whole, it does not follow that the individual landowners will receive the same amount of benefit, since the locations and other conditions of their land differ. This will, in most projects, give rise to anxiety or opposition from the landowners.

The second measure adopted for the promotion of land-improvement included such steps as giving technical advice, or giving economic assistance by implementing the basic part of the project directly by the state or prefecture and by giving subsidies and low-interest loans. Needless to say, if such works as the construction of dams and canals are done with public funds, the land-improvement expenses per unit of farmland become cheaper on the part of the landowners. Also the subsidy was of a very high rate, reaching one-half or even three-fourths of the expenses, and the interest on the loan was about one-half or less of the ordinary bank rate. This measure contributed much to the promotion of land-improvement, and even at present about 30 per cent of the total budget of the Ministry of Agriculture is made up of the expenses of this kind of land-improvement project. Also, it is estimated that the percentage of the investment in such projects in the annual formation of gross agricultural fixed capital of the whole country reached as high as 20 per cent in 1957. This is by no means a low percentage.

Because of this high rate, inter-regional competition arises for securing the subsidy, which is limited in its total amount. The result is an all-round policy, giving equal amounts of subsidy at the same time to all the applying districts. Thus the new farm construction programme (1956-61), by which the state gave assistance to municipal projects, each requiring ten million yen of subsidy and loans for land-improvement and other co-operative works, had to cover all the municipalities of the country. The same applies to the agricultural structure

reform programme, initiated in 1962 and still in operation, though the amount of the assistance has in this programme been raised more than tenfold, reaching 120 million yen. From the beginning of the programme it was planned to cover all the towns and villages of the country and on this condition the budget for the programme passed the Diet. Due to such an all-round policy, each municipality is obliged to grant the subsidy indiscriminately, so that its project cannot be done on the most efficient scale and priority. Also the criticism arises that projects which should be implemented voluntarily by the municipality are not begun until the subsidy comes from the state and good opportunities tend to be missed.

The severest criticism of the shortcoming arising out of the fact that it is hard to give priority in selecting projects is that they cannot be completed in a short period. There are cases of irrigation projects, carried out directly by the state, which cannot be completed even after twenty years have passed since their beginning, though technically they could have been completed in a few years. This is because the national budget is scattered over many similar projects and hence individual investments without concentration cannot bear fruit. Water cannot flow in the canals until they are completed entirely and the investment made on the canals is kept idle for that period. This is not only inefficient but is also not in accordance with the original aim, as it often happens that the economic environment, including demand and supply of agricultural products, has changed by the time the project is completed. This may be regarded, in a certain sense, as a shortcoming derived from the competitive structure of agriculture.

One measure for eliminating this shortcoming is to introduce from outside a criterion for deciding priority among projects. An example is the Aichi Irrigation Project. This is a large-scale undertaking carried out by the Aichi Irrigation Public Corporation to benefit farmland of 30,000 Ha. What is noticeable in this project is that it was completed in a very short period of five years beginning in 1958. The total construction cost was 42,300 million yen, of which 7,700 million came from the state treasury, the remainder being a long-term loan. A promise of a loan of 11,900 million yen in return for selling American surplus farm products enabled the Project to start. But the factor which made it complete in five years was that the condition for the loan from the World Bank stipulated five years, though the amount of the loan was only 1,500 million yen. The Bank also asked the Japanese Government to finance the Project in conformity with its

conditions. Thus the government gave a long-term and low-interest loan of 20,500 million yen and the Project was completed in a short period. This is a very interesting example in our consideration of what is a major factor in deciding the priority of public investment in agriculture.

An irrigation project carried out in such a way gives rise to another problem in relation to its co-ordination with the size of individual farming. From the viewpoint of effective use of water, it may be desirable for a project to cover as wide an area as possible, as far as water is available. Also an appropriate size of farmland per plot in the project area may be decided according to such technical considerations as utilization of machines and distribution of water. Actually, however, the size is governed by the area of land owned by individual farm families. When the area of uniform irrigation is too great, all the land of individual farmers is included in the area and the type of the farming also, including the selection of crops, has to be governed by the distribution of water. In the areas where the water is distributed for the purpose of growing rice, farming has to be confined to rice-growing. This is a major source of resistance from the farmers who have been engaged in the cultivation of upland crops other than rice. Thus, if we try to have specialized farming allocated to districts with different types of water-distribution, the natural consequence is that the size of land per plot is limited. Moreover, if each farmer is to have a set of plots with various types of water distribution, the unit area covered by the uniform irrigation will have to be limited. Thus, in the irrigation projects the usual situation is that the area per plot is 10 to 30 ares, the area of an irrigation unit is 3 to 5 Ha and districts with different irrigation standards adjoin each other.

This may be considered as a conflict between national planning aiming at large-scale irrigation and the small-scale farming of individual farm families. But even such a small-scale reclassification of farm land faces many troubles in the course of its implementation, as there is a great variety in the areas of land farmed by the individual farmers and in their wealth. As the economic assistance by the government is intended to ease this situation, the assistance must be planned so as to enable even the farmers with the smallest capital to take part in the project. Because of this necessity the ratio of governmental assistance in the project is naturally very high, exceeding perhaps the expenditure for covering the risk of introducing the innovation. There are often cases where there is no clear insight into the future economic

balance of the results of the innovation, including the question of how much of the expenditure will have to be paid by the individual farmers. Here the entrepreneur is the government itself whose subsidy policy is functioning as an effective measure for easing the conflict with local interests. The same can be seen in the introduction of agricultural machines. But the most typical phenomena in Japan are to be seen in land-improvement, as the irrigation of paddy fields has a special importance in this country.

V. Conflict in relation to the price-policy of agricultural products

I have already mentioned that the purpose of national planning in relation to the prices of agricultural products is to control their unstable variation. It may therefore be considered that planning aims originally at stabilizing prices at the level that should result from the natural balance of demand and supply in the long run. However, during and after the last war when there was an acute shortage of food, the target of national planning was to cut down artificially the price level so as to stabilize the food situation for the urban and non-agricultural population and to hamper their flow back into agriculture. This was due to the consideration that such a policy would contribute to economic rehabilitation as a whole, chiefly by industrialization. For this purpose producers' prices and consumers' prices of agricultural products were officially fixed in Japan and at the same time quantitative regulation (in the form of compulsory delivery by producers and distribution quotas for consumers) was enforced with a view to regulating consumption by both parties.

But today the situation is reversed and the farmers are strongly requesting that prices should be supported by the authorities, artificially and politically. Various steps are being taken for this purpose and it is estimated that products equivalent to about 70 per cent of the total value of farm products are covered by the government's price-support policy. That is, with regard to rice and wheat and barley, prices are supported by the government by means of purchasing unlimited quantities at certain prices officially fixed, while with regard to soy-beans and rape-seed, though their selling is free, the balance between support prices and free prices is paid by the government to the farmers as a deficiency payment. Due to the existence of such a policy, the farmers are requesting the government to widen the application of the policy to cover vegetables, milk and other agricultural and dairy products and are organizing a strong political

campaign annually to raise the support prices when they are fixed by the government. Behind all this, we can point out two factors. One is the existence of the Agricultural Basic Law enacted in 1961 and the other is the political situation in which the force representing agricultural interests at the Diet is strong.

In spite of the fact that what is required of agriculture from the viewpoint of national economy has changed greatly owing to the change in the economic situation during the years since the war, agricultural policy and system are by their nature stabilized and have become rigid. In order to remedy it, it is necessary to point out the direction towards which agriculture should develop as part of the national economy and the directions in which the state as well as the farmers should make efforts. The Basic Law was enacted from this consideration. To make it clear, the preamble of the Law emphasizes that agriculture and those engaged in it have in the past played an important role in the economy and society of the country, that they are expected to do so in the future, too, and that none the less, as agriculture has natural, economic and social handicaps as compared with other industries, there is a need to make up for this disadvantage, if agriculture is to fulfil such a role. Thus, Article I, Chapter I provides as follows:

... the objectives of the state's agricultural policies shall be to ensure agricultural development and raise the position of those engaged in agriculture in line with the growth and development of the national economy and the progress and elevation of social life while offsetting the disadvantages of agriculture arising from natural and socio-economic handicaps with the aim of ensuring that agricultural productivity may increase in such a way as narrows the gap in productivity between agriculture and other industries and that those engaged in agriculture may earn greater incomes which enable them to make a living comparable to those engaged in other industries.

Judging from such provisions of the Law, its original aim is, it is considered, to make the system and policy flexible so as to prevent the prices of products from becoming rigid due to the price-support system. Actually, however, the Law can now be said to be utilized as a ground for the farmers' request that was not intended in the legislation. They put more emphasis on the fact that the Law intends a balance between their standard of living and that of those engaged in other industries. This emphasis is due to the fact that the average standard of living of the former is still lower than that of the latter. Thus it is a natural consequence that the price-support policy is

advocated as the most handy remedy. There is therefore a criticism that the Basic Law, whose original purpose was to promote the modernization of agriculture, is on the contrary utilized as a weapon for supporting the prices of agricultural products.

However, we have to notice that the reason for the strong emphasis on this policy could be sought in the fact that the ratio of agricultural interest is high at the Diet. That is, among the 467 members of the Diet the number of the so-called 'agriculture members' representing agricultural interests is considered to exceed 200. The agricultural force at the Diet is disproportionately great if we notice that in 1962 agricultural income amounted to only 10 per cent of the national income, that among the 17 million personal income-tax payers those who derive their main income from agriculture were 250,000 or only 1.5 per cent, and that the amount of the tax paid by them was only 0.6 per cent of the total. The reason for this disproportion is that in spite of the decrease of rural population due to their move into urban areas, the number of the Diet members in the constituencies has not been changed for the past eighteen years and the result is that the voices of the rural people are louder at the Diet. There is also the fact that among the taxpayers other than farmers there are people who are connected with agriculture through their wives or other relatives. It must be admitted that the agricultural interest has a strong and persistent voice in the political field. With regard to rice, which is the staple food of the Japanese, as the consumers' price is artificially fixed lower than the producers' price, the annual burden on the state treasury reached as much as 100,000 million yen in 1963. So the request for raising the producers' price is especially strongly criticized. But even if such a burden is added to the total budget of the Ministry of Agriculture, it is believed by some people that its ratio to the total agricultural output is considerably lower than that in some of the European countries. The strong request for raising the producers' price and the adoption of a policy in line with such a request in spite of the smaller proportion of agricultural population may be interpreted as a phenomenon common to highly industrialized countries. But it is a problem that requires further study.

There is not much to say about the fourth conflict regarding the promotion of the transfer of agricultural resources to the non-agricultural sector. Except for the special cases of the war-time and post-war periods, the problem is solved automatically by the movement of population according to the conditions resulting from the difference

of functional income between agriculture and non-agriculture. I have already mentioned that the conflicts during the abnormal years of the war-time and post-war periods were tackled by means of food control. To sum up, it is considered to be the orthodox attitude that in national planning in relation to agricultural development a policy of pushing forward technical innovation should be adopted, while letting the transfer of resources from agriculture to the non-agricultural sector take its own course. But the problem is that new conflicts are arising with regard to the request for raising producers' prices.