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## FUNDAMENTAL REFORMS ON FINNISH FARMS

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Finland, situated in the Far North between latitudes 60° and 70° N and longitudes 19° and 31.5°E, is one of the prosperous farming countries in the world. Finland's total area is 337,000 sq. km., of which water systems account for 31,600 sq. km. The tilled area amounts to 2.6 million hectares. Of the total population of 4.4 million, 40 per cent derive their livelihood from agriculture and forestry. These industries, however, only account for 20 per cent of the national income. This shows that economically agriculture is weak compared with the other industries, first and foremost manufacturing and commerce.

As in many other countries, there has been immense technological progress in the last few decades in Finnish agriculture, principally in the replacement of the horse by the tractor. The use of other machines has also increased greatly. In other respects, however, farming has not kept up with changing conditions. On the contrary, it is beset with many basic weaknesses which make it difficult or at least barely economic to use modern machinery. Such basic weaknesses are the too small size of farm holdings (average tilled area being about 8.8 ha), unsatisfactory land division conditions, defective basic drainage, open ditch drainage in the fields, stoniness of the fields, poor fertilization, scattered storage buildings, inadequate housing for livestock, the poor silvicultural condition of the forests belonging to the farms, etc. Moreover, housing conditions in rural districts are often unsatisfactory and about 75 per cent of rural households have no water main.

In addition to technical drawbacks, many economic factors are unfavourable for agriculture in Finland. Production costs are high compared with better situated agricultural countries. Many jobs formerly done on the farm are now industrial work. The tools needed in agriculture are purchased and the processing of agricultural products is done by industry. Small holdings no longer offer full employment to those engaged in farming and the profitability of farming in terms of book-keeping has also weakened.

Finland produces some agricultural products, principally butter, cheese, bacon and eggs, surplus to its own needs. However, as the international price level of agricultural products, owing to the agricultural policy pursued in different countries, is lower than the internal price level of the majority of the producer countries, it is impossible to export agricultural products from Finland without State subsidy. Under an act of 1958, the Government is empowered to fix the prices of the most important agricultural products for the period 1958-1961. The Government must also ensure by various means that the fixed price level is reached.

For agriculture to be able to carry out its tasks in the changed conditions and be more capable of competing on the international market requires the scientific management of agricultural production and the removal of its fundamental weaknesses. At the same time profitable working opportunities should be provided within agriculture for the present farming population since only a part of this population can move over to manufacturing and other industries.

Fully aware of the condition of agriculture and of the necessity for fundamental reforms, representatives of professional circles close to agriculture took measures to draw up plans for basic agricultural reforms. Associations of agronomists, foresters, drainage and irrigation engineers and survey engineers set up, in 1954, a joint committee to organise the planning of fundamental reforms for agriculture. This joint committee then set up 12 committees with a total of 86 experts to study the need for fundamental reforms, their extent and cost in the different branches of agriculture. A Co-ordinating Committee was also appointed; it consisted of 18 leading officials and experts from the various branches. The result of all this work was a plan of fundamental reforms in agriculture and forestry for 1960-1980.<sup>1</sup> It might be mentioned that the planning work was done voluntarily and for the greatest part without any remuneration.

The Co-ordinating Committee suggested that the fundamental reforms to be carried out on the farms should be financed by granting low-interest, long-term loans amounting to a total of a maximum of 60 per cent of the actual costs of each basic reform. There would, moreover, be fundamental reforms involving several farms jointly, and these should be supported in the current manner through funds voted in the Budget.

The fundamental reforms were considered in the following principal groups :

- (1) Fundamental reforms in fields;
- (2) Fundamental reforms on the farm homestead;
- (3) Fundamental reforms in farm forestry;
- (4) Tasks of agrarian and land settlement policies.

Basic improvements to fields include in particular basic drainage. The expenditure involved in the coming 20-year period for this would total about 4,100 million marks<sup>2</sup> per annum. Underdrainage is estimated to be needed for an average of 30,000 hectares per annum (cost 2,100 million marks per annum) and stone-clearing for an area of about 150,000 ha. (cost 450 million marks per annum). Liming and fertilizing are not really fundamental reforms. The Committee suggested, however, that the annual quantities of limestone and commercial fertilizer should be increased considerably. This would mean an increase of about 10,700 million marks in annual production costs. The expected improvement in crop prospects that would result would ensure a sufficiency of foodstuffs for 5.5 million persons, the level to which the population of Finland will rise by 1980 according to estimates.

As it is possible to ensure self-sufficiency in foodstuffs with the present tilled area provided that the necessary fundamental reforms are carried out and fertilizing is more effective, the need for clearance of untilled land would diminish correspondingly. The Committee suggested in fact that land reclamation should be carried out primarily in the regions where there is obviously too little arable land and in cases where reclamation is a necessary fundamental reform on an individual farm. Reclamation of previously untilled land would thus diminish to about 10,000 hectares per annum, in addition to which field to be used as rail-

1. It was published in spring 1959.

2. 1,000 Finnmarks equals about 1.1 pounds sterling.

way, road, building site, etc., area should be replaced by reclaimed land. The cost of the reclamation work would total about 800 million marks annually.

The most important of the fundamental reforms on the farm homestead are organisation of the water supply and sewage (1,900 million marks per annum), the building of central crop storages (3,360 million marks per annum), structural improvements to livestock buildings (4,400 million marks per annum) and the improvement of rural housing conditions (7,920 million marks per annum). It is to be noted that for the most part these suggested reforms do not involve new investments. Indeed, it is recommended that modernisation of the buildings may be carried out in conjunction with normal renewal work. Only the water supply and sewage, and partly the storages, require considerable new investments.

As regards farm forestry, in addition to the silvicultural programme for the forests the Committee discussed the timber logging on farm forests and the associated fundamental reforms. For instance, it is proposed that funds may be provided not only for primary reforestation work and ditching but also for the construction of forest motor roads and strip roads and for the purchase of mechanical equipment. Fundamental reforms and acquisitions would require 3,575 million marks annually. It is suggested moreover that 450 million marks may be expended as a single investment on the expansion of nurseries and seed storages.

A fourth group of fundamental reforms consists of measures pertaining to agrarian and land settlement policy. Conditions of land division on Finnish farms are very unsatisfactory in many districts and this makes it very difficult, even impossible, to execute basic improvement plans. The division of farm lands has been perfectly free in Finland since 1917, with the consequence that economic holdings have been split to an alarming extent. The sum proposed for technical improvements on farms is 800 million marks per annum, plus 4,000 millions in loans for buying out other heirs and thus keeping the holding intact. The latter is not a matter of fundamental reform, but it benefits the population moving from farming to other industries. Together with statutory restriction of the division of farms, which in the opinion of the Committee is desirable, the award of loans to buy out the other heirs would be an effective way of preventing the harmful splitting of farms.

Land settlement activity would be the establishment of dwelling farms and dwelling sites in localities offering sufficient work and the establishment of economic agricultural holdings especially in Eastern and Northern Finland. The Committee suggested that a credit of 1,500 million marks for basic repairs may be made available annually for the purchase of additional land. The buyer of additional land should himself finance 40 per cent of the price of the additional land.

The cost of the fundamental reform plan per year is estimated at 35,500 million marks, of which 15,100 million marks represent actual new investments. The latter sum includes the funds, viz., 4,900 million marks, for farm forestry, farm roads and reorganisation of farm layout.

It is suggested that the fundamental reforms may be financed as follows. The basic reforms on individual farms should be supported by an annual credit of

18,900 million marks; the State would have to defray the difference between current interest and the lower rate payable on the credit. For fundamental reforms of a collective nature, for instance basic drainage, water supply and sewage, forest ditches and primary reforestation, forest motor roads, farm roads and farm reorganisation a sum of 7,900 million marks would be required annually from the State. A greater proportion of this, however, could be repaid to the State than is the practice today.

The final expenditure by the State for the recommended fundamental reforms would not exceed the present State expenditure for the corresponding purposes. The average outlay on these ends in 1951-1957 was 18,300 million marks per annum, of which 11,600 million represented the final expenditure by the State. The principal difference would be a change-over from the present method of direct aid to the use of fundamental reform credit on the same conditions.

What, then, would the realisation of the proposed programme entail for agriculture and the economy as a whole? The most important result for agriculture would doubtless be the setting of the fields, farm homesteads and forests in such a way that machines could be used economically and that profitability could be improved essentially. Housing conditions would also be brought up to modern standards. The output of farming would grow, enough to meet the demand of an increasing population even. Farming would offer numerous remunerative jobs during the time when the rest of the economy is developing to take the labour freed from farming and which it is so far incapable of placing. Fundamental reforms would thus facilitate the adaptation to changed conditions and the development of agriculture to a state where it could perform what is required of it despite the continuous decrease in the proportional contribution of the farming population.