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The Netherlands - Agric.

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AGRICULTURE, INTERNATIONAL TRADE, AND PUBLIC
POLICIES IN THE NETHERLANDS ^{1/}

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AGRICULTURE, INTERNATIONAL TRADE AND PUBLIC
POLICIES IN THE NETHERLANDS

by
Harold D. Guither

The Netherlands, or Holland, lies on the North Sea coast, bounded on the south by Belgium and on the east by the Federal Republic of Germany. The country is low and flat except in the southeast. The Netherlands' role in international trade is significant since the port of Rotterdam is the largest in Europe. The Dutch have historically thrived as producers and traders in agricultural products.

COUNTRY DESCRIPTION

The Netherlands covers an area of 14,200 square miles and is about one-third the size of Indiana. The population was 13.6 million in 1975 with a density of 1,042 per square mile, one of the highest in the world. Its capital is Amsterdam and its seat of government is The Hague. The government is a parliamentary democracy under a constitutional monarch. Its establishment as an independent state began in 1568 when a number of provinces of north Netherlands rebelled against Philip II, King of Spain. Its constitution dates back to 1814 when Netherlands regained its freedom from years under French control.

The basic unit of currency is the Dutch guilder or florin, and is divided into 100 cents. The Dutch economy is based on private enterprise, but centralized control plays a strong role. Its location and limited natural resources have led to an unusual dependence upon foreign trade.

The highest point in the Netherlands is 323 meters above sea level, its lowest, 6 meters below sea level; 40 percent of the country would be under water were it not for protection afforded by dunes and dikes. It has a temperate climate with cool summers and mild winters.

AGRICULTURE

Dense population, expensive land and a high degree of technical development have led to intensive cultivation of premium agricultural products. The country has 5.2 million acres of agricultural land of which

2 million is arable. About 56 percent of all land is devoted to agriculture. There were 133,000 farms with an average size of 14.5 hectares or 35.8 acres. From 1960 to 1974, the number of farms declined by 3.2 percent annually.

The number of workers in the agricultural labor force declined by 2.9 percent annually from 1964 to 1974 compared with a decline of 4.1 percent in the European Community's nine countries.

Of the total agricultural area of 2.1 million hectares, about 52 percent is owner occupied and 48 percent is tenant operated. As in Belgium and France, rental levels are controlled by legislation; tenants have the right of renewal of leases at the end of the tenancy period, heirs to tenants have the right of succession, tenants must be compensated for improvements in cases where the tenancy contract is terminated and land owners cannot resume occupation of their land unless they or their successors wish to farm it themselves. The legal tenancy period is six years for parcels of land and 12 years for farms. Tenants have the right of first preference to buy when land they rent comes on the market.

Land values have increased substantially in recent years, averaging about 5 percent per year from 1963 to 1970 and 15.6 percent from 1974 to 1975 for crop land and 19.5 percent for pasture land. Good land for agricultural use has sold for \$20,000 per hectare. A hectare is 2.47 acres.

Dutch agriculture is characterized by diversified crop production and intensive livestock operations. In 1975 the major crops were wheat, other grain, green forage, potatoes, sugar beets. (Table 1) Yet livestock production provides about two-thirds of the gross value of agricultural production. The major livestock products are milk, eggs, pork, and poultry, beef and veal. Dairy cattle numbers have increased and output per cow has risen in recent years. (Table 2) The horticultural industry is an important part of Dutch agriculture. Outside area of production was about 114,000 hectares in 1974 and the area under glass had expanded to about 7,700 hectares. (Table 3) Higher energy costs are putting some strain on this phase of production along with competition from Spain, Greece and Italy.

AGRICULTURAL ORGANIZATIONS AND INSTITUTIONS

Three major organizations of agricultural producers operate in the Netherlands. They are the Royal Netherlands Agricultural Committee, the Catholic Netherlands Farmers' and Market Gardeners' Federation and the Netherlands Protestant Farmers and Market Gardeners' Federation.

Immediately after World War II these organizations and the three Dutch farm workers organizations created a new organization to deal with common social and economic interests in the Netherlands Federation of Agriculture. In 1954 this federation was replaced by the Organization of Public Law for Agriculture (Landbouwschap). This organization is involved in legislative efforts for producers and workers and also includes commodity boards that represent the specialized production interests. Monthly meetings are held with the Minister of Agriculture.

The ministry of Agriculture and Fisheries is a part of the government with two main areas: agriculture and food, and land development and fisheries. In addition an Agricultural Economics Research Institute operates independently of the Ministry of Agriculture. It conducts research of interest to the Ministry, the farm organizations, business and industry, and for the European Community.

POLICIES

Agricultural policies in the Netherlands have been strongly influenced by membership in the EEC. Policies to improve farm structure and marketing are aimed at strengthening the competitive position of Dutch agricultural products by increasing efficiency.

Within the country, the objectives of its structural policy are to reduce the number of small farms and to improve existing units. An Agricultural Development and Rationalization Fund provides financial help for construction and improvement of farm buildings where sizable investments are necessary and for programs to lower production costs. A discontinuation scheme helps farmers who are over 50 to leave farming by offering them the market value of their farm and a premium equal to 10 times the lease value of their property plus a lifetime pension. Land consolidation and creation of larger farms has been slow although progress is being made.

A major national policy unique for the Netherlands is the development of new lands by draining land that was once under the sea. The Zuiderzee project which has been underway since 1920 will drain five polders with over 220,000 hectares when completed. The Delta project in southwestern Netherlands, began after World War II, involves a series of dykes that will make possible additional new lands in a land-short country.

AGRICULTURAL TRADE, POLICIES, AND ACTIVITIES

For centuries, trade and industry in the Netherlands has been based on the country's favorable position for communication, the importance of its agriculture, its importation of tropical products and the rapid development of the population centers in Western Europe.

Although industrial production has expanded since World War II, food and drink industries account for about 30 percent of total Dutch industrial production. About three-fourths of Dutch agricultural and horticultural production undergoes some form of processing or manufacture. The Netherlands is a major exporting country of agricultural products. While agricultural imports account for about 16 percent of all imports, about 27 to 28 percent of all exports are agricultural.

The Netherlands ranked as the fifth largest buyer of U.S. agricultural products in calendar year 1976 with total purchases of \$1.43 billion excluding transshipments or 1.88 billion including transshipments. (Table 4) The major agricultural imports are raw materials for livestock production or food manufacture. The main products are oil seeds, crude oils and fats, cereals and stock feeds. The major exports are cattle and meat products, dairy products, fruit and vegetables, floricultural products and poultry and eggs.

The United States is the biggest supplier of agricultural products to the Netherlands. Since 1968, the value of Dutch imports has tripled. In 1976, Netherlands exported 20.1 billion guilders of products relevant to Dutch agriculture and industry and imported 10.2 billion guilders leaving an agricultural trade balance of 9.9 billion. The total trade

balance for all goods was 5.7 billion guilders.

Dutch international trade has maintained a positive balance of payments in recent years. In 1976 the current balance was \$2.0 billion dollars and in 1977 \$2.75 billion.

U. S. agricultural imports from the Netherlands, however totalled only \$271 million in calendar year 1976 of which 16 percent were complementary and 84 percent were supplementary. The major products imported were meat and products, dairy products, oilseeds and products and unmanufactured tobacco, and vegetables and preparations. (Table 5)

The proportion of U.S. agricultural exports to the Netherlands that are subject to variable levies has increased between 1971 and 1976. In 1971-72 the variable levied products made up 33 percent of U.S. agricultural exports while in 1975-76, the percentage had increased to 44 percent.

Soybeans and feed grains make up two-thirds of U.S. agricultural exports to the Netherlands. Although feed grains rose steadily from 1971 through 1975, they declined in 1976.

Soybean exports reached a new high in 1976. The U.S. market share of Dutch soybean imports in 1976 was 91.5 percent, up from 80.9 percent in 1975. The strong preference for U.S. soybeans in the Netherlands pushed these imports to 1.6 million tons in 1976, 40 percent greater than the 1.14 million tons of the previous year. Those of Brazil, a major competitor, remained virtually unchanged at some 145,000 tons.

The other major U.S. oil seed imported was peanuts which fell from 22,300 tons in 1975 to 5,800 in 1976. This 74 percent reduction resulted from relatively high U.S. prices, which caused importers to turn away from U.S. peanuts to those from India.

U. S. exports of fats and oils rose 22 percent in 1976 indicating a competitive price more favorable than those of other major suppliers, Dutch imports of U.S sunflower seed, corn and marine oils as well as tallow and grease increased. This demand is expected to remain strong as long as the market for oil based technical products and compounded

feed remains strong. U. S. fats and oils, however, must compete with other suppliers of coconut, palm kernel, palm, soybean, sunflower seed and rape seed oils from other countries within the European community and outside.

MARKET DEVELOPMENT

Because of the keyrole of Rotterdam as a major shipping center, the U.S. Feed Grains Council and the Great Plains Wheat Council maintain offices there. As with those market development groups located in Brussels, they serve a number of countries in addition to the Netherlands.

The major efforts of Great Plains Wheat is to carry out trade servicing activities with various customers of the U.S. wheat. Complaints are investigated and adjustments are made to keep customers satisfied. Visiting representatives from U.S. producer and trade groups may visit with European customers so that mutually beneficial contacts can be made. With the increase in wheat output by the European Community countries, the market development for wheat is one of continuing efforts to maintain their present share of the market.

The U.S. Feed Grain Council efforts are designed to expand the market for feed grains through promoting livestock expansion, encouraging use of corn and grain sorghums through support of feeding trials, seminars, and contacts with industry and producer groups.

A major competitor for U.S. feed grains is manioc, or tapioca, that comes in with a 6 percent duty rather than a variable levy such as feed grains have. The result is a substitution that reduces demand for feed grains by the feed formulators. Since the manioc is high in starch and low in protein, its use does require additional protein supplement. Market development efforts try to point out the benefits of feed grains for production of quality meat products and develop research findings that shows the limits for substitution.

FUTURE OPPORTUNITIES FOR U. S. EXPORTS AND IMPORTS

With its large livestock industry, the Netherlands is a feed deficit country. However, the variable levy system places preferences upon grains produced within the EC, and the U.S. supplied imports depend upon the

deficits within the EC. The support price policy for wheat encourages large output of wheat, some of which is suitable only for feed, which brings further competition for U.S. feed grains. It would appear that future expansion of feed grains exports will be limited but variability of supplies depending upon EC output will keep the opportunities open for U.S. sales.

Soybeans are not produced within the EC. Most buyers have expressed preference for U.S. beans. So with the desire to import whole beans for European crushing, the opportunities for continued U.S. soybeans sales to Europe are promising. Although the volume is lower, future opportunities for sales of fats and oils exist but competition is strong and products must be priced competitively.

SUMMARY COMMENTS

Although small in area, the Netherlands has an important agricultural economy and is the fifth largest buyer of U.S. agricultural products. Its limited land resources and economic advantages for livestock and dairy production indicate a continuing need to import feed grains and soybeans for production of soybean meal. U.S. suppliers should continue their market development efforts to maintain and expand these markets.

Because of its close ties to the European Economic Community, The Netherlands, marketing and trade policies will be in line with the EC Common Agricultural Policy.

With Rotterdam as the major port of Europe, market development efforts for major commodity groups will continue to make this major trading center one of their headquarters cities in Europe.

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Table 1. Crop Production in the Netherlands - 1960 and 1974
(1000 metric tons)

	<u>1960</u>	<u>1974</u>
Wheat	590	746
Barley	291	315
Rye	460	78
Oats	387	163
Potatoes	4,173	5,595
Sugar beets	4,676	4,911

Source: Aspects of Dutch Agriculture

Table 2. Livestock, Dairy, and Poultry Products of the Netherlands,
1960 and 1974

	(1000 metric tons)	
	<u>1960</u>	<u>1974</u>
Milk	6,721	9,940
Beef & veal (carcass weight)	236	391
Pork (carcass weight)	413	874
Poultry (liveweight)	111	440
Eggs (millions)	5,825	4,800

Source: Aspects of Dutch Agriculture

Table 3. Production of Horticultural Products, the Netherlands,
1960 and 1974

	(million guilders)	
	<u>1960</u>	<u>1974</u>
Vegetables & Mushrooms	527	1,358
Fruit	214	360
Bulbs	186	326
Floriculture	132	961
Arborculture	41	185
Horticultural seeds	14	78
Other products	-	6
TOTAL	<u>1,114</u>	<u>3,264</u>

Source: Aspects of Dutch Agriculture

Table 4. U.S. Agricultural Exports to the Netherlands, 1975 and 1976^{1/}
(Million \$)

	<u>1975</u>	<u>1976</u>
Wheat and Flour	129.8	93.6
Feed grains	604.7	538.4
Rice	11.8	17.6
Cotton	2.4	2.7
Tobacco unmgf.	40.1	38.6
Vegetable oils & waxes	26.4	28.6
Soybeans	614.1	732.2
Oil cake & meal	42.3	67.8
Fruits & preparations	34.2	34.7
Vegetables & preparations	7.2	25.9
Nuts & preparations	6.9	6.7
Animal fats, oils & greases	10.5	30.1
Poultry meats	.6	.9
Meats, excl. poultry	24.0	33.3
Hides & skins	4.0	6.2
Dairy products	.2	.2
Other	<u>125.7</u>	<u>185.4</u>
TOTAL	1,722*	1,884.9*

^{1/} Includes transshipments

* May not add up due to rounding

Source: Foreign Agricultural Trade of the United States, June 1977

Table 5. U.S. Agricultural Imports From the Netherlands, 1975 and 1976
(million \$)

	<u>1975</u>	<u>1976</u>
<u>Complementary</u>	<u>30.3</u>	<u>43.2</u>
Coffee	.6	1.4
Cocoa beans	.2	.0
Tea	2.8	1.4
Spices	1.4	1.6
<u>Supplementary</u>	<u>219.5</u>	<u>227.7</u>
Sugar, Beet & cane	.0	.4
Meats & products	101.8	85.2
Fruits & preparations	.6	.9
Vegetables & preparations	5.2	4.0
Oils seeds & products	10.3	11.4
Tobacco, unmfed.	4.9	6.2
Hides & skins	.6	.8
Grains & preparations	3.2	3.3
Dairy products	13.5	13.0
Other supp. & comp. products	<u>105.0</u>	<u>141.1</u>
TOTAL	249.8*	270.9*

*May not add up because of rounding

Source: Foreign Agricultural Trade of the United States, July 1977