AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

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.*

Netherlands — Agriculture
GIANNINI FOUNDATION OF AGRICULTURAL ECONOMICS LIBRARY
WITHDRAWN
(University of London) OCT 21 1959

WYE COLLEGE

Incorporated by Royal Charter

SPECIAL UNIVERSITY LECTURE

DUTCH AGRICULTURE, ITS ECONOMIC STRUCTURE AND PROBLEMS

By Dr. J. Horring
Professor of Political and Rural Economy at the
Agricultural University of Wageningen

Delivered at Wye College on the 15th May, 1958

Occasional Publication No. 10

SPECIAL UNIVERSITY LECTURE

DUTCH AGRICULTURE, ITS ECONOMIC STRUCTURE AND PROBLEMS

By Dr. J. Horring
Professor of Political and Rural Economy at the Agricultural University of Wageningen

Delivered at Wye College on 15th May, 1958

DUTCH AGRICULTURE, ITS ECONOMIC STRUCTURE AND PROBLEMS

By Dr. J. Horring

Contacts between farming in England and Holland have existed for a very long time. New ideas on more rational methods of arable farming and cattle-breeding began to spread from England quite early on and Holland was among the countries which profited by this. For instance, Jethro Tull's celebrated book, *The Horse-hoeing Husbandry*, appeared in a Dutch translation as early as 1760. The well-known Texel breed of sheep, too, is a cross between English pedigree meat breeds and native Dutch wool breeds.

In your country, Dutchmen, in their turn, have given evidence of their skill in reclaiming land from the sea in the area around the Wash, an area which you yourselves call Holland. Your country has been importing agricultural produce from Holland since early times and in the last hundred years these imports have increased by leaps and bounds. Unfortunately, however, our export trade has had its wings clipped to some extent since 1930, by protectionist measures. We should be only too glad to export more to you, but not everybody in the importing country looks upon another country's export achievement with the same appreciation. Indeed, nowadays in international farming circles, the fact that one exports agricultural produce seems almost to be a matter for which one must apologize.

This remark brings me right to the heart of the matter. Holland is well known in the world as an exporter of agricultural products. People usually regard this as a matter of course, though nothing could be further from the truth. It is, in fact, a highly remarkable thing. Holland, with its eleven million inhabitants, is one of the most densely populated countries in Europe. We have only about 525 acres of agricultural land available per thousand inhabitants. Compare this with Denmark, a country which, as far as the size of its total export of agricultural products is concerned, occupies roughly the same position as Holland. Here there is more than three times as much agricultural land available per thousand inhabitants as there is in our country. Even in the United Kingdom, the agricultural area, rough grazings left out of account, is more than six

hundred acres per thousand inhabitants—more than we have in Holland, that is to say—yet your country is known for being the world's largest importer of food.

In Holland, exports represent a very considerable portion of total production. About 40 per cent. of the total value of our farm produce, valued at farm gate prices, is exported, and of the 60 per cent. that remains in the home country, a considerable portion is used by the farming industry itself, in the form of livestock feed, seed and the like. If we base our figure on the end-use output of the national farm, then we can say that almost 50 per cent. of this output is exported. (See Table 1.)

These exports cover a wide range of products, while the percentage exported varies considerably from product to product. Thus about 90 per cent. of all the bulbs and onions cultivated are exported. Of the vegetables and eggs more than half cross the border, while more than 40 per cent. of the milk we produce finds its way to the foreign market, in the form of butter, cheese and milk products. About a quarter of the bacon and pigmeat is exported, and even when we come to arable crops, we find that more than a quarter of these are exported as well, mainly in the form of potatoes and potato products, pulses, oil seeds, flax and sowing seed.

How is it possible, you may ask, that so large a part of the total production should be available for export, when the area under cultivation is, relatively speaking, so small? Do Dutchmen eat so little themselves? Or is production per acre in the Netherlands so very high? The overall picture of the level of consumption in the Netherlands shows no wide divergence from that in the other countries of Western Europe. Production per acre is, indeed, high —higher, that is, than in most of the other West European countries. Yet this is only part of the explanation of the remarkable fact that Holland should export so much farm produce. The other important factor is its large imports of livestock feed and also of bread grain, and vegetable and animal fats for human consumption. If the home country had to produce all the grain for human and animal consumption that it now imports, it would have to have double the present acreage of arable land under cultivation, while the total area devoted to farming would have to be increased by about 40 per cent.

Of the total value of agricultural produce, valued at farm gate prices, which are exported either in raw or manufactured form, about 60 per cent. is accounted for by products coming from the animal sector, being mainly milk, meat and eggs. The amount of

TABLE I

DUTCH AGRICULTURE: ITS ECONOMIC STRUCTURE AND PROBLEMS
TOTAL VALUE OF AGRICULTURAL PRODUCTION
(Average of the years 1955 and 1956 valued at farm gate prices in millions of guilders)

Definition	Total value of products	Of which to: Foreign countries	Of which to: Own country	Imports*	Consumption in own country
Arable crops					
1. Cereals					
(*a*) Wheat	84	19	65	231	296
(*b*) Rye	100	6	94	31	125
(*c*) Barley	63	33	30	191	221
(*d*) Oats	120	16	104	70	174
(*e*) Other grains	27	5	22	251§	273§
(*f*) Straw	114	17	97	3	100
Total	508	96	412	777	1,189
2. Pulses	55	40	15	14	29
3. Oil and fibrous crops	87	76	11	95	106
4. Tuber and root crops					
(*a*) Potatoes	289	111	178	5	183
(*b*) Sugarbeet	121	9	112	6	118
(*c*) Fodderbeet	74	2	72	0·6	73
Total	484	122	362	12	374
5. Cattle feeding cakes				87	87
6. Animal protein				67	67
Total arable crops	1,134 100%	334 29%	800 71%	1,052	1,852
Animal products					
1. Cattle					
(*a*) Cattle	573	98	475	83	558
(*b*) Milk	1,312	592	720	18	738
Total	1,885	690	1,195	101	1,296
2. Pigs	723	198	525	8	533
3. Poultry					
(*a*) Poultry	94	79‡	15	0	15
(*b*) Eggs	514	296	218	1	219
Total	608	375	233	1	234
4. Horses, sheep and asses†	52	20	32	14	46
Total animal products	3,268 100%	1,283 39%	1,985 61%	124	2,109
Horticulture					
1. Vegetables	331	180	151	11	162
2. Onions	28	27	1	3	4
3. Early potatoes	23	2	21	0·5	22
4. Fruit	183	81	102	25	127
5. Flower-bulbs	133	125	8	1	9
6. Flowers	107	32	75	1	76
7. Trees and shrubs	24	16	8	1	9
8. Horticultural seeds	21	9	12	3	15
Total horticulture	850 100%	472 56%	378 44%	46	424
Total	5,252 100%	2,089 40%	3,163 60%	1,222	4,385

Source: L.E.I. (compiled from C.B.S. statistics).
N.B. Arable crops relate to harvest years.
* Products, which are also cultivated in the Netherlands.
† Excl. wool.
‡ Incl. tame rabbits ± 1 mln.
§ Incl. maize, buckwheat, millet and so on, except rice.

feedstuffs required for the production of these exports of animal products corresponds almost exactly with the total quantity of feedstuffs which are imported. Thus, looked on as a whole, the production of animal products for export can be seen as a processing industry of imported materials. This is something of an exaggeration, however, since the dairy industry uses less fodder than the corresponding amount of its export surplus, while it is just the other way round with the pig and poultry industry.

All the same, if it were not for the import of fodder, we could export practically no animal products at all. Likewise, if it were not for the import of grain for human consumption, we should have to use so much of our farm land to provide for our own needs, that the export of arable farming produce would be ruled out too.

All we should have left to export would be horticultural products —a fact which was borne out by our experience during the years of the war. If agricultural production in the Netherlands were to be concentrated on supplying home needs, it would scarcely be able to keep the people of Holland alive.

But as you will have been able to make out, from what I have already told you, agricultural production in our country is anything but designed to meet home needs. On the contrary, our farming is based to a high degree on the international division of labour and is guided by the level of prices on markets abroad. By this means we are able to make the most economic use we can of the natural conditions of our soil and climate, and to derive the greatest possible profit from the presence of a relatively large and skilled labour force.

Quite a considerable part of Holland is made up of the deltas of the river Rhine and the river Meuse. Half the soil is highly fertile by nature, though the other half consists of sandy soils, which have been poor from the very beginning. There are vast areas of low-lying fenland which can be used only as permanent pasture. Accordingly, large numbers of our farmers have to rely on dairy-farming. On the fertile clay and sandy clay soils, there are a large number of predominantly arable farms.

The fertile, moisture-retaining soils in the West of our country are highly suitable for the cultivation of vegetables and other horticultural products, such as flowers and bulbs;—and, where necessary, we use glass and artificial heating to make up for the inclemency of our climate. As a matter of fact, in Holland market gardening has almost become a factory industry and is found practically exclusively on specialized holdings. The slight chance

of night frost in the critical period has favoured the rise of a rationally planned, modern fruit-growing industry.

The main type of farm found on the sandy soils is the small mixed farm. Pig-keeping and poultry-keeping are carried on for the most part on these farms as a sideline in order to provide the available labour with employment.

So, as you will have noticed, there is a wide variety of different agricultural undertakings in our country while the farms are characterized by a high degree of specialization.

Much of our farm land has been acquired by means of reclamation from the sea and by land-development schemes. That is why it is said: "The Lord made the world, but the Dutch made Holland." A large part of the land lies below sea level, so that control of the water level is a matter of vital importance to us.

A beginning was made with the drainage and reclamation of lakes and marshlands centuries ago, and in the latter half of the last century and the first half of the present one, practically all the waste land that was in any way suitable for this purpose has been reclaimed and brought into cultivation; about one million acres of it in this century alone. This was made possible by the arrival on the scene of artificial fertilizers. For several decades now, a gigantic project has been under way with the aim of reclaiming the former Zuyder Zee. So far about three hundred thousand acres of land have been recovered, while another two hundred and fifty thousand acres are awaiting reclamation.

The completion of this project, however, will mean that we shall have exhausted practically all the possibilities of land reclamation. The North Sea, unfortunately, offers us little opportunity in this respect.

But if we cannot get more land, then we must improve the fertility of the land we have, and quite a number of land-improvement schemes are being carried out with the aid of large Government subsidies.

The persistent shortage of land is due to the rapid rate at which our population is increasing. In 1900 the Netherlands had something more than five million inhabitants; today it has more than eleven million. Prior to the last war, industrial development was too slow to be able to absorb the population increase, and actually full employment was unknown in the Netherlands before 1950. It is not surprising, therefore, that in our country agricultural production should have developed in such a way as to employ as much labour as possible, the predominant type of farm being the family farm. Of the

TAB

THE EXPORT OF THE MOST IMPORT

(Average of the year

	Butter	Cheese	Condensed milk	Milk-powder	Bacon	Other live stock and meat products	Eggs
Total export in fl. 1,000,000	169·8	211·8	266·6	82·3	88·6	527·3	344·4
of which to %							
Europe	90·3	81·9	11·6	38·9	100·0	76·1	99·7
of which Western Germany	18·5	38·8	0·5	9·9	—	18·4	73·6
United Kingdom	23·8	7·6	0·2	6·2	100·0	23·4	1·4
Belgium-Lux. ..	24·0	27·0	3·9	14·5	—	5·9	1·1
France	10·1	2·8	0·3	1·7	—	10·1	9·9
Switzerland ..	2·1	0·4	1·0	1·6	—	3·9	0·9
Italy	3·1	1·3	0·4	0·2	—	12·1	10·4
Rest of Europe ..	1·8	3·6	5·3	4·4	—	1·9	1·9
Eastern Europe ..	6·8	0·2	—	0·3	—	0·3	0·3
America	2·0	9·6	14·4	30·9	—	20·6	0·1
Asia	0·3	3·0	54·8	19·9	—	1·4	0·1
Africa	7·3	5·4	18·5	10·2	—	1·5	—
Oceania	—	—	0·5	—	—	0·3	—

* The total sum of the export of these products amounts to about 80 per cent. of the total value of the export of all agr

total area of farm land about three-tenths is occupied by farms of from 2½ to 25 acres in size; another three-tenths by farms of from 25 to 50 acres in size; another three-tenths by farms of from 50 to one hundred and twenty-five acres in size, leaving us with one-tenth occupied by farms larger than a hundred and twenty-five acres.

Compare this with the situation in the United Kingdom, where 57 per cent. of the farm land is occupied by farms larger than 125 acres in size, and only 7 per cent. by farms smaller than 25 acres.

With the exception of horticultural undertakings, most farms under 25 acres are regarded as too small to be economically viable in the long run with present agricultural techniques in the Netherlands.

Nevertheless, half the total number of full-time farmers are working farms in this size group. This will give you some idea of the scale of the problem we have to deal with, in trying to bring about an improvement in the farming structure. Since 1950 there has been a slight reduction in the number of small farms. But far more people will have to leave the farming industry before the situation in this respect can be regarded as healthy.

The enlargement of farms will have to go hand in hand with reconstruction. It is estimated that approximately half the existing farm land in Holland stands in need of re-allotment. There is little point, however, in re-allotment as far as the small farms are concerned, if we do not at the same time offer a possibility of making

LE 2.

ANT AGRICULTURAL PRODUCTS

S 1955 and 1956.)

Potatoes for consumption	Seed-potatoes	Potato-flour	Vegetables (fresh)	Fruit (fresh)	Vegetables and fruit (preserved)	Flower-bulbs	Sowing-seeds	Total*
68·1	56·7	37·2	249·1	63·0	70·5	184·9	25·1	2445·0
82·9	90·0	89·2	98·9	97·5	78·8	72·1	80·5	76·9
19·1	6·0	34·8	52·5	44·3	16·1	18·0	20·2	29·1
42·4	—	20·8	23·9	18·0	39·8	19·7	10·6	18·5
0·8	38·1	8·8	8·9	15·7	7·3	2·3	12·3	9·2
0·3	25·0	1·6	1·7	6·0	2·2	9·6	12·8	6·5
1·0	8·4	1·8	2·4	0·4	1·3	2·1	2·4	2·0
1·4	6·9	13·8	—	0·2	0·4	2·7	8·8	5·1
17·8	3·5	7·4	8·6	10·2	5·7	17·3	11·7	
—	1·9	0·1	0·6	2·6	5·8	0·3	1·6	
8·7	3·3	8·1	0·7	1·8	13·6	26·5	14·0	
5·3	0·1	2·0	0·1	0·2	3·1	0·4	1·8	
2·9	6·6	0·6	0·3	0·2	2·6	0·6	0·9	
—	—	—	—	0·2	1·8	0·2	2·6	

icultural products of Dutch origin.

use of the resultant saving in labour, by working more land per farm.

The number of persons employed in farming continued to increase until shortly after the war; from 1947 onwards, however, we have witnessed the first important decline. The number of men employed in farming has decreased by about 20 per cent. in the last ten years. This decline is to be accounted for mainly by a decrease in the number of agricultural labourers, their number having shrunk by about one-half. This decline in the number of agricultural labourers has been compensated for by increased mechanization on the larger undertakings. At the present moment about three-quarters of the labour-force engaged in farming consists of the farmers themselves and their sons, working with them. It is expected that in the coming years there will be a progressive decline in their numbers as well. Altogether a further decrease of about 20 to 25 per cent. in the amount of labour employed in farming must be regarded as a possibility within the foreseeable future, while maintaining production at its present level. Since this draining-off of agricultural labour must, however, go hand in hand with the enlargement and reconstruction of our farms, it will prove a difficult business and will need the Government's co-operation. At the present moment, about 14 per cent. of the total male employed population in our country is employed in farming; in 1930 this figure was still as high as 22 per cent.

Compared with England and Germany, for example, industrial development was late in getting started in the Netherlands. It is only in the present century that it has really got under way and in the last ten years particularly, a conscious policy of industrialization is being carried out, with success. At the present moment, about half the male employed population is employed in industry in the broad sense of the word. In most other countries, Holland is still regarded as a predominantly agrarian country, but if we look at the actual figures, we see that, quantitatively, agriculture represents only a modest proportion of our total production.

It will be necessary for us to industrialize still further in order to provide all the members of our ever-increasing population with a livelihood and moreover to absorb the surplus agricultural population. This will be the only satisfactory way of ensuring that standards of welfare in the farming sector keep pace with those in the industrial sector of our national economy.

Co-operative societies have reached a high degree of development in all manner of fields in agriculture. Thus most of the purchasing of farm requisites and the marketing of agricultural products is done by co-operatives, which also play a large part in the factory processing of agricultural produce. Many agricultural products form the raw material for industrial processing. In this way, quite a considerable percentage of value is added to the farm gate price value of these products. A wide network of co-operative farmers' credit banks has come into being, to supply the farmers with loans.

The co-operative societies, however, do not control almost the entire field, as they do in Denmark, though they do play the main role in most of the processing and commercial branches. Private enterprise, both in the industrial and commercial sectors of agriculture, is, however, strong enough to oblige the co-operatives to be constantly on the alert.

Prior to the war, the severe overpopulation of the agricultural sector drove up the freehold and leasehold prices of farmland to a level which most people regarded as unreasonably high, and in the thirties, when Government began to help agriculture in its struggle for existence by means of price regulations and other measures, the conviction grew that the Government should interfere in this respect as well. In 1938 a land tenancy act was passed giving the tenant-farmer a wide measure of protection which was extended still further by later revisions of this act. Besides affording the tenant-farmer the assurance of lengthy tenure, by making leases subject to almost unlimited renewal, the price of

leases was also controlled by Government. Another act also prescribes maximum prices for the sale of agricultural land. These measures are bound up with the policy of guaranteed prices for agricultural products, for, if there were no control of the price of leases and the sale price of farmland, there would be a great risk of the Government's assistance to farmers being passed on to the landowner and capitalized in the form of higher land prices.

From the middle of the last century up to 1930, the Netherlands, like the United Kingdom, was one of the truest champions of free trade. In this respect we were your disciple. In view of this policy of free trade and non-interference in economic affairs, the Government limited its activity to active encouragement of research work, education, and advice and information on farming, bearing the cost of such work itself. As regards the organization of the farming industry, the farmers themselves have done a great deal to raise agriculture to a high level of efficiency, especially by means of co-operative societies. Widespread education in farming has made the farmers receptive to information and advice regarding the ways in which the results of research work should be applied in practice.

All this progress suffered a severe set-back when the economic depression came in the thirties. The export trade suffered severe blows, as a result of which production had to concentrate to a larger extent on supplying the home market. The switch-over in the United Kingdom to protection came as a deep shock to our country. To us it was as though a model of virtue had fallen into sin, and when we in Holland, in those days, embarked upon a policy of controlling the market and prices in agriculture, we did this only with great aversion. For a long time this policy was looked upon as a temporary expedient only but time has proved that we were wrong.

In the first years after the war, we were highly pessimistic about the possibilities of restoring the traditional structure of our agriculture. It seemed that Germany would be the poorhouse of Europe for a very long time to come, while during the war England had raised the level of its agricultural production to a remarkable degree, and seemed resolved in future to meet its food requirements as much as possible from its own farms. However, despite these gloomy expectations, we succeeded in raising our exports of agricultural products to a level higher than had ever been reached before. In 1956, the index figure by volume of these exports was about 75 per cent. higher than in 1938, and more than 50 per cent. higher than the figure for 1930, the top year before the depression set in.

Comparing 1938/9 with 1955/6 the total gross output of agriculture has risen by one-third which means that most of this increase has left the country by way of exports. Our exports to the United Kingdom have remained below the pre-war level although your country has remained a good and valued customer. But it is Western Germany that has become our largest export market. (See Table 2.)

Although we have succeeded in increasing our exports of farm produce, we are encountering increasing difficulty in exporting dairy produce, as a result of unsatisfactory prices. For the time being, it is mainly the national treasury which is having to bear the brunt. This is because the Government has guaranteed the farmers minimum prices for the principal agricultural products. As far as milk is concerned, this is being done by leaving the market price of products processed from milk in the factories free. Then, if the average price yielded by all the milk delivered by the farmers in the whole year should fall below the guaranteed price, the treasury meets the deficit.

For years this guarantee did not cost the Government a single penny because the price milk actually yielded every year was always higher than the guaranteed price. In the last two years, however, a radical change has come about in this situation. This change has been due, to some extent, to the decline in the export prices of dairy produce. But another, and far more important, reason lies in the considerable increases which the guaranteed price has undergone as a result of the rise in the costs of production. This rise has resulted mainly from the increase in the level of wages, or to put it more precisely, the claims made upon income for the remuneration of labour in agriculture.

Since the war, in order to ensure full employment and to maintain equilibrium in the balance of payments, wages have been made subject to Government control and this system has met with loyal co-operation on the part of trade union and employers' organizations. Under this system of control, the wages of workers on the land are made equivalent to the real wages of comparable groups of industrial workers. These wages are secured by guaranteeing minimum prices for farm products. In speaking of wages here, I am referring not only to the wages paid to hired labour, but also to the imputed wages for the non-paid labour of the farmer and members of his family. The fact that we have coupled the indirectly guaranteed level of wages and income in farming to the level of industrial wages, means that the guaranteed prices of agricultural products have to be raised, if productivity in industry rises more rapidly than it does in

agriculture. But the prices of export products do not rise, while also the import prices of competitive cereals lie below the guaranteed home level.

Here lies the crux of the difficulties we are meeting with at present with regard to our guaranteed price and income policy. We can exert little or no influence on export prices while from the home-consumer we can only obtain reasonable prices for farm products, in so far as he buys these. In the case of many products it is even difficult to do this, without interfering with the freedom of trade, and it is important that this freedom should be preserved, for the sake of the export trade. And so, in order to make sure that the guaranteed prices are paid, a contribution has to come from the treasury. I don't need to tell you that the larger the sums involved here, the more resistance is encountered. Although so far there has been no direct restriction of production, for the first time this year, the guarantee is limited to the same quantity of milk as that produced in the preceding year.

As far as cereals are concerned, the minimum price guarantee is effected mainly by means of variable import duties. These do not cost the treasury anything, but, as you will readily understand, they meet with little sympathy among pig and poultry farmers, dependent as they are on the import of grains for use as fodder.

And so you see the policy of guaranteed minimum prices for the principal farm products, which for a number of years seemed a very attractive proposition as long as it only had to come into operation now and again, is now being subjected to a severe test.

The poultry-industry and market-gardening are the main branches of agricultural activity which manage to do without price guarantees. In the market gardening sector producers' organizations have taken measures to prevent fortuitous disturbances of the market at their own expense. The supply of horticultural products fluctuates with weather conditions, while the foreign export market is often subject to sudden import bans or quotas. Sale is concentrated around a number of auctions. The price of the principal products is prevented from falling below a certain level, fixed beforehand and fairly low, by removing the surplus products from the market. The suppliers of this produce removed from the market then receive compensation out of a fund which is fed from a levy on the goods sold. This levy, therefore, really amounts to a kind of insurance premium against market risks. There is a separate minimum price fund for each product, or group of related products.

The only assistance the Government lends is to impose a legal obligation on producers to sell their produce via the auctions. The Government also keeps an eye on the fixing of the minimum prices, to make sure that there is no abuse of this system, to the public's disadvantage.

Practically everyone understands that in a country where agricultural production relies to such a large extent on the foreign market, both as regards exports and imports, the prosperity of the farming industry cannot in the long run be ensured by a policy of guaranteed prices. Such a policy can only have a supplementary significance, and the guaranteed prices of agricultural products will gradually have to be adapted to the price trend on the foreign market. Price policy will have to aim principally at cushioning severe price shocks, and at preventing too great a decline in the income of agriculture.

The first thing that has to be done is to bring about an improvement in productivity. This is often taken to mean that the volume of production must be increased. It can mean this indeed, but the essential thing is to be able to reduce costs of production, that is to say, to be able to produce with less input per unit of output. This is why increasing emphasis is being laid on improving farming techniques, instead of on raising the volume of production. I have already mentioned the need to reconstruct and enlarge our farms and to reduce the number of persons employed in farming. If fewer people can produce the same quantity of goods, it will be possible for incomes per head to rise, without raising the prices. In the second place, and no less important, we have the promotion of the sale of agricultural products.

As far as possible, production will have to be attuned to sales. The system of guaranteed minimum prices aims at keeping these prices in line with the export prices, as far as this can be done. For example, we only guarantee an average milk price for all milk, irrespective of the form in which the milk is processed and the prices the various products fetch. This means, therefore, that there can be considerable differences in the price individual farmers obtain for their milk.

However, as far as exports are concerned, we came up against numerous protectionist measures in importing countries and also against the results of national guarantee policies, such as the policy of artificially stimulated exports found for example in the United States of America.

In practically all countries, national agricultural policy is still

influenced by the spirit that resulted from the years of depression and crisis in the nineteen-thirties. Serious competition from countries abroad is almost always dealt with by imposing restrictions on imports, higher tariffs and by direct subsidies. Such a policy can be carried out in countries who do not themselves produce sufficient to meet their own needs. Such countries are in a position to deflect internal difficulties in any given sector on to the countries exporting agricultural products. But this policy acts like a boomerang, and sooner or later its effects are inevitably felt in the country which applies it, though in other sectors of its economy. As a result of it, a country does not make the best use of its national resources. Economic barriers hamper changes in a country's economic structure which can lead to a higher level of prosperity.

Many of the measures individual countries take to combat foreign competition would be superfluous if national barriers were removed. The smaller the markets protected, the more severe and the more frequent are the disturbances caused by fluctuations in supply. The wider the market is, the greater its resilience and the more opportunities it offers for compensating, in one sector, set-backs suffered in another. The agricultural markets cannot be protected from serious disturbances without some sort of regulation. There is, however, a need for a greater switchover from narrow national measures to internationally co-ordinated measures in the marketing of agricultural products.

It is because agricultural circles in Holland share this conviction that they, too, have welcomed the step towards the foundation of Benelux and the Common European Market. It is a well-known fact that agriculture forms the bone of contention in Benelux and the Common Market. We shall not arrive at completely free trade, even if this were to be desirable. But we are endeavouring to free trade from many of its present restrictions. The idea launched by the United Kingdom of forming a free trade area has met with much response in Holland. But it came as a disappointment to learn that at first, according to the English view, agriculture would have to be excluded from a free trade area of this kind. It will be clear to you, I believe, that it is farming, particularly, that Holland would like to see included, even though trade in this sector were not to be made completely free. We can well understand that, having learned from bitter experience, you in the United Kingdom should want to see your home production of food put on a permanent basis, in case of emergency. To this end, it is essential and sufficient to keep the soil in good heart and to have a nucleus of capable farmers at

your disposal. But I ask myself whether it is necessary for this purpose to encourage vegetable-growing, egg-production and pig-fattening in your own country by protectionist measures and subsidies? In my view, free trade would be possible in these branches of farming in your country, without endangering your home-supply of food in the case of an emergency, and without coming into conflict with the interests of other countries in your Commonwealth. It could mean a real contribution on your part to the development of a free trade area in the agricultural sector.

Our entire national economy in the Netherlands depends to a very high degree on our imports and exports. The sum of our annual imports and exports of goods and services is greater than our annual national income. We are poor in raw materials, and these accordingly represent a large proportion of our imports. It is a well-known fact that a country's export products are made up mainly of the resources of which it enjoys a relative abundance. In the case of Canada, for instance, that abundance lies in the natural fertility of its soil. In the case of our country, it lies in our abundance of labour, a great part of this labour being skilled labour.

What applies to the national economy applies also, to a large extent, to agriculture as well. The Netherlands' economy, the welfare of the entire country and the welfare of our farming industry are based on a high degree of international division of labour.

The Netherlands' economy and our farming industry are both highly susceptible to influences originating from the outside, and both are becoming increasingly vulnerable in this respect. But we have no choice. This vulnerability can only be reduced by creating larger economic groupings, by creating stable trade relations—generally speaking, on a basis of international co-ordination—and by a general application of a policy of full employment,

HEADLEY BROTHERS LTD
109 Kingsway London WC2
and Ashford Kent