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Agricultural Support Policies of Belgium,
the Netherlands, and the United Kingdom

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The agricultural policy of the United States involves the support of the prices of many agricultural commodities above free market levels. When domestic prices are maintained at levels above world market prices, it often becomes necessary to restrict imports and to subsidize exports; this policy leads, therefore, to interferences with the free flow of international trade, and thus to conflicts with the country's general commercial policy.

In order to avoid such a conflict, it has been suggested that the United States shift its policy from price support to direct payments to farmers. Precedents for an agricultural policy based on such direct payments are to be found in Belgium, the Netherlands, and the United Kingdom.

Belgium

In general, the Belgian Government sets target prices, based on cost of production, for key agricultural commodities. The target price for wheat is maintained by requiring the milling industry to use a minimum amount of domestic wheat, and by stockpiling. Milk, butter, pork, and egg prices are supported by restrictions on imports from countries other than the Netherlands, by minimum prices on imports from the Netherlands, and also by government stockpiling. The price of sugar beets is set by agreement between growers and processors.

Moreover, several official or semi-official institutions perform marketing functions. The Office Commercial du Ravitaillement carries out buying and selling operations in meats and butter, and a semi-official institution promotes marketing of horticultural products. A law of 1955 established an Agricultural Fund with broad authority to intervene in all important aspects of farm production and marketing.

In contrast to these price support programs, however, producers of cheese, sweetened condensed milk, and powdered milk enjoy direct payments. These payments are fixed each month, vary according to grade, and are calculated according to the difference between the cost of production and the domestic market price. In addition, premiums are granted on the basis of monthly quotas which are in general higher during the summer in order to decrease the milk surplus during that period and to avoid market disturbances. The object of granting these direct payments is to give a new direction to the use of milk which is still too largely centered on butter production and to create new outlets for milk where there is a tendency toward surplus production.

Domestic production of cheese, sweetened condensed milk, and powdered milk has been increased since the deficiency payments have been employed. The deficiency payments, however, have probably not influenced the level of imports or domestic prices. With the exception of hard cheese, the producers of these dairy products are not protected by import restrictions.

The Netherlands

In the Netherlands, only a few commodities of key importance are subject to direct price control. For wheat, the price to the producer is fixed and maintained by requiring the milling industry to use a minimum amount of domestic wheat. For barley, oats, and rye, floor prices are fixed, and variable import levies are applied to all feed grains to make these floor prices effective. The price of sugar beets is based on a price fixed annually for refined sugar. There is a minimum delivery price for seed potatoes, and if a serious drop occurs in the price of potatoes for human consumption, such potatoes can be taken off the market at a minimum price, which, however, is well below cost. A similar arrangement is applied to fruits and vegetables.

The complex pricing program for dairy products includes a guaranteed minimum price for all milk, which is made effective through payment of a differential amount if the average price for a year has been below the guaranteed price; a fixed, subsidized price for milk used for fluid consumption; and a minimum delivery price for dairy products, based on market conditions and unrelated to the guaranteed fluid milk price. A pooling arrangement, effected through the so-called Dairy Fund, ensures a uniform return to milk producer regardless of the actual use of the milk.

There are marketing boards responsible for carrying out agricultural price, production, and marketing measures for livestock and meat, poultry and eggs, dairy products, fats and oils, cereals, seeds, pulses, potatoes, fruits, and vegetables.

Direct payments are used only in the case of certain grains grown in sandy soils regions. The direct payment is the difference between the guaranteed price and the realized average market price. In 1956, direct payments were paid to the producers of rye, barley, and oats; in 1955 they were paid only to rye producers. The direct payments were made to compensate the producers in sandy soils regions for their substantially higher production costs. It is not known what effect the direct payments have had on domestic production and prices and imports. There are variable import levies on barley, oats, and rye.

United Kingdom

The British Government guarantees prices of products which account for about 80 per cent of the value of farm output: cattle, sheep, hogs, milk, eggs, wool, wheat, rye, barley, oats, mixed corn, potatoes, and sugar beets. Except for wheat, cattle, and sheep, guaranteed prices are fixed annually in consultation with the Farmers' Unions, after a review of the economic conditions and prospects of agriculture, including changes in farm costs, the balance of payments, the subsidy burden, and other relevant factors. For wheat, the cereal year is divided into five periods and a guaranteed price is fixed for each. For cattle and sheep, the guaranteed price for the year is broken down into a seasonal scale of weekly guaranteed prices.

Most guarantees cover average prices for the quantity sold on the market or through producer marketing boards. For barley, oats, and mixed corn, the guarantee is on acreage grown. Wool producers get fixed prices for wool sold to the British Wool Marketing Board; sugar beet producers, fixed prices for beets grown under contract with the British Sugar Corporations; and potato growers, fixed minimum prices for standard potatoes sold to the Potato Marketing Board in Great Britain and to the Ministry of Agriculture in Northern Ireland. The only agricultural commodity for which prices are fixed without government support is hops; this price is fixed by agreement between the Hops Marketing Board and the Brewers' Society, in accordance with production costs.

Since 1954, the markets for grain and fatstock have been free, though the milling industry is pledged to use a minimum amount of home-grown wheat. In contrast, the British Sugar Corporation has a monopoly of the sugar beet market, and markets for other price guaranteed products are also subject to monopoly control by producer marketing boards, to which the government makes the price guarantees.

There are five milk marketing boards to cover the United Kingdom. In England, Wales, and Northern Ireland, producers must sell to the boards; in Scotland, the boards normally do not buy milk from producers except for their own manufacturing purposes. Wool producers must sell to the Wool Board; with certain exceptions, chicken and duck egg producers having more than 50 birds must sell through the Egg Board to get the guaranteed price; and potato growers must sell to the Potato Marketing Board in Great Britain and to the Ministry of Agriculture in Northern Ireland to get the guaranteed price.

In 1954, the Government adopted a system of deficiency payments to meet most price guarantees. For wheat and rye, deficiency payments are paid on the quantity of millable wheat or rye sold and delivered by each grower. Certificates are issued by authorized merchants for each sale of millable grain by a registered grower. The average "at farm" price realized for wheat (for each of the five periods) and for rye (for the cereal year) is calculated from these certificates. If the average realized price falls short of the appropriate guaranteed price, a deficiency payment is made to each grower on the basis of the quantity sold as recorded in the certificates of sale.

For barley, oats, and mixed corn, the deficiency payments are paid on the acreage grown, provided that the crops have been cultivated in accordance with the rules of good husbandry and harvested as grain in a satisfactory condition. Any amounts by which the average realized prices fall short of the guaranteed prices are converted to rates per acre on the basis of the average yield in the United Kingdom over the preceding five-year period. The deficiency payment for barley, oats, and mixed corn is paid whether it is sold or not and regardless of its end use.

Each week a provisional rate of guarantee payment for the following week is calculated, representing the amount, if any, by which the average of the latest four weeks' actual market prices and the estimated market prices for the following four weeks falls short of, in the case of pigs, the guaranteed price for the year, and in the case of cattle and sheep, the average of the seasonal guaranteed prices for the same eight weeks. The provisional rate of guarantee payment so calculated is adjusted in the actual week to which it relates whenever necessary to ensure that the actual average return to producers, including payment, in that week does not differ from the respective guaranteed prices by more than specified amounts per unit.

The milk price guarantee is made to the Board, which is in turn responsible for determining the monthly prices to be paid to individual producers. The guaranteed price for each area applies only to sales of milk up to a standard quantity. This quantity can be altered each year at the annual review, but it has remained at about 80 per cent of total milk sales. On sales in excess of the standard quantity, the Board receives a lower guaranteed price which is the average price expected to be realized on sales of milk for manufacture during the coming year. Moreover, there is a profit-and-loss sharing system which applies to all milk in excess of a certain proportion of the standard quantity; on each gallon of milk in excess, the Board is credited or debited (as the case may be) with half the difference between the lower guaranteed price and the actual average price realized by the Board for all manufacturing milk. The Government pays the Board any deficit between its net commercial returns and its entitlement under the guarantee after allowing for the profit-and-loss sharing arrangement.

The output of grains, fatstock, and milk has increased since direct payments were adopted in 1954. These increases, however, were the result of not only the added inducement of direct payments but also other factors (favorable weather, technological advances, etc.). The direct payments probably have had little effect on imports and domestic prices since domestic production supplies only a minor part of domestic requirements for these commodities. There are import restrictions, for balance of payments purposes, only on cattle. As already pointed out, however, the milling industry is pledged to use a minimum amount of domestic wheat, while the brewers have agreed to use a minimum amount of domestic barley.

Conclusions

Of the agricultural policies examined, only that of the United Kingdom provides a precedent for an agricultural policy based mainly on direct payments. The expense to the Exchequer of the direct payments to producers of grains, fatstock, and milk is estimated at £122.3 million for

1956-1957 and £149.8 million for 1957-1958. This is more than originally anticipated but less than the Exchequer spent to support these commodities prior to the shift to direct payments in 1954.

The system has not disturbed international trade, apart from the reduction in imports that follows from the increase in domestic production stimulated by the system; however, this result of the United Kingdom system cannot be applied without reservation to the United States since the United States, in contrast to the United Kingdom, is a net exporter rather than a net importer of the main commodities affected by the support program.