Address by Mr. Sicco Mansholt, Vice-President of the Commission of the European Communities, at a farmers' conference organized by the Committee of Agricultural Organizations in the EEC (COPA) in Düsseldorf on 24 November 1967

Mr. President, Ladies and Gentlemen,

It gives me great pleasure to speak to you at this time, particularly since I am taking the floor directly after Mr. Rehwinkel, the President of COPA. This makes my task easier in one way but more difficult in another. It will be easier because Mr. Rehwinkel has touched on so many points already that there is no need for me to go into certain aspects in any great detail. But if I now confine my remarks to a number of particularly acute problems, this does not mean that I have nothing to say about the others. I can agree with much that he has said, but with much I must disagree. I will single out a few of his points to which I must say: My good friend, you have touched lightly upon matters of some weight. I do not want to talk about the general political situation of the Community, nor about political union. I would, however, like to say something about price policy and structure policy - both of them very important subjects indeed, as we have just heard. Although they are even more important I will not have anything to say about trade policy or world agriculture.

Ten years have gone by since the Stresa Conference, and for these ten years we have struggled to set in place the structure of the Community's market regulations. Many of these are now in operation, and we know that the main regulations outstanding will soon come into effect - those for milk and for beef and veal on 1 April 1968 and the regulation for sugar on 1 July 1968. I must say, however, that to date progress on structure policy has been very limited indeed. We have attempted to bring about some degree of co-ordination between national structure policies. This is an enormously difficult task, even though there is no need to introduce a single Community system here since we are convinced that structure policy must always suit the area concerned and must in fact be part of regional policy.

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I feel that the time has now come to review the record and assess its implications - or, to use a nautical phrase, to find our bearings and set a new course.

And your President has done this very clearly. He has told you what COPA wants; now I want to tell you what our ideas for the immediate future are.

The first question we must ask ourselves is this: Have we in the EEC succeeded so far in achieving the major objectives of the Treaty of Rome? Under Article 39, one of the aims of the common agricultural policy is to ensure a fair standard of living for the agricultural community, particularly by increasing the individual earnings of persons engaged in agriculture. We must answer this question, and if we have not succeeded - and Mr. Rehwinkel tells us that we have not - then we must ask why not and what must we do to put matters right. A fair income ... that means an income and a standard of living comparable with those in other sectors of the economy. If this has not been achieved yet, we must draw our conclusions and make room in our Community programme for what has to be done next. This can also be put in simpler terms: our farmers want to know where they are going. And the question is not only being asked by those now engaged in agriculture, by farmers and their wives, but even more by young people living on the land who are faced with choosing their future careers. They ask themselves: "Can I stay in farming?" I am not in a position to say here and now where we are going, but I do know that at the beginning of a journey - and we in the Community are about to start a journey - the traveller must be quite clear about the route he is taking. Consequently, young people on the land should not be wondering what the present-day business situation on their farms is or what agricultural prices are like today, but rather how things will be in ten or fifteen years' time.

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We are not living in a static society but in a big and dynamic world. In the last twenty years our whole society has changed more than in the previous hundred, and there is no reason to think that the next twenty will be any different. On the contrary: change will be even more rapid, if anything. The world's population is likely to double over the next twenty years. Average incomes in Western Europe will probably be twice what they are today, though the working week will be even shorter. Agriculture will be a part of this society, and you will agree with me that these are exciting prospects. So if we want to weigh up the situation and look into the future, we must ask ourselves, for example, whether the answer lies in price policy or in the structure policy that we have been pursuing to date. And you may rest assured that when I speak of the structure of agriculture I am thinking in particular of the situation of the family farm.

But a few words about price policy first. We have seen that there is a difference between the Commission's proposals and the COPA recommendations. I would prefer to say that there is a difference in our points of departure, since the first range of prices recently fixed by the EEC is not really what we want for the future. The price ratios between wheat, rye, barley and maize and between wheat and feed grain were not satisfactory. We are now convinced that the prices for barley and maize in particular were too low.

In the case of wheat, however, we felt that the two things that had to be done - raising the price and establishing a correct ratio between the price of wheat and that of feed grains - could not both be done this year. I do not think that COPA wanted this either; what it did want was a 5% increase in all grain prices to cover the rise in costs, leaving the ratio between the price of wheat and the price of barley and maize unchanged.

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We in the Commission felt that we could not do the two things at the same time, so we decided to make a start this year by establishing a satisfactory price ratio. This means that next year we will be able to view the question of prices for all types of cereals as a single problem. To do both things at once was impossible in our view. We also feel that the ratio between the price for beef and veal and that for milk should be satisfactory, that there should be a regular increase in prices. On the subject of beef and veal prices, I am convinced that the EEC Council made the right decision when it fixed prices for 1968/69 above the figures proposed by the Commission. We only hope that the Council will also go along with the Commission's proposal to increase the guide price for cattle again for the following year from DM 272 to DM 280. However, we all know quite well that these prices always represent a compromise. In fixing them we have to bear in mind farm incomes, the supply situation in the Community, price ratios, foreign trade and financing costs in general. All I can say here is that the Council has taken great pains to make allowances for all these factors, and I do not think I would be giving anything away if I were to mention that we have among us here today a Minister of Agriculture who was not aiming at getting the lowest prices accepted. This is something we all know.

In general terms, I would say that the Commission's position (this is an important point that is not universally recognized in the Community and that I would like to make quite clear here) is that because incomes on well-run farms are still lagging far behind those in other sectors of the economy, it endeavours to get the highest possible price fixed by the Council. That is the basis of its policy. But it must make allowances for the supply situation, price ratios and of course trade policy with non-member countries and financing costs. These are factors that cannot be disregarded.

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Perhaps this can best be illustrated by using milk price policy as an example. This is extremely important for agriculture in the Community since a large number of our farmers depend on the price of milk; in Germany it accounts for approximately 28% of farm incomes. In 1966 the price was fixed at 39 pfennigs per kg. The Commission had proposed 38 pfennigs, though even then we were convinced that the price would be difficult to implement, as was the Council too. The Council had before it calculations which we had prepared showing that a price of 38 pfennigs would lead to a surplus of approximately 3 million tons of milk and that the cost to the Farm Fund would be some $450 million. If the price were fixed at 39 pfennigs per kg, however, it would mean a surplus of approximately 4.5 million tons and costs in the region of $580 million. The Council fixed the price at 39 pfennigs, knowing that this would also involve the payment of large subsidies from public funds in guarantees. We now know that our calculations with regard to the production surplus were on the low side. Production in general has gone up, and deliveries of milk to creameries have increased in particular. This last point is especially important, since any milk that cannot be sold by the creamery in the form of cheese or other milk products must be stored as butter or as skim milk powder. Today we can count on a butter surplus of approximately 150 000 tons by 1 April 1968. Similarly, there will be a surplus of skim milk powder unless large subsidies are paid from the Farm Fund to channel some of this milk powder back into animal feedingstuffs. What does this mean financially? It means that in 1968/69 the Farm Fund will have to pay out more than $700 million in subsidies.

Let me stress that all this is happening before the common milk price has been introduced: national milk prices are still in force this year. But we are already having a preview of the situation next year when the price will be 39 pfennigs per kg. I think that we should be realists and should admit that we cannot

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go on in this way. We must call a halt and consider what is to be done to regulate the milk market so that we do not end up with these enormous surpluses, since these cannot simply be sold off on the world market. We must of course try to increase butter consumption within the Community, but I must admit that the Commission does not yet know how this whole question is to be solved. All I can say is that we are now preparing a memorandum for the Council in which - I hope - we shall be able to propose arrangements that will be fair to the farmers and at the same time take the financial resources of the Community and its members into account.

I am telling you all this because price policy has its limitations, and if I ask myself now whether we can improve farm incomes by means of a price policy alone, I must answer very definitely that we never will. I am sure I am right in thinking that COPA too feels that price policy must be supplemented by a structure policy, for which there is a great need. Mr. Rehwinkel has made this very clear. He maintains that structure policy is no miracle drug. I agree with him on this, but I would say that price policy is no miracle drug either.

My answer to the question "Is there an alternative to price policy?" must be "No." The real question is: "Can price policy be supplemented?" and to this I answer in all sincerity, "Yes, it can."

One further point about price policy: I have shown you that we have done our best to fix fair prices for certain agricultural products. We can do this with an easy mind for those products (such as cereals) for which our import demand is still extremely high. But we know that this is much more difficult to do in the case of poultry, eggs and pigmeat, for example. Mr. Rehwinkel has just indicated that we should adapt production to demand for these commodities.

I should very much like to know how this is to be done. The Commission would be very grateful if COPA would put forward some proposals on this matter.

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No solution has been found to this problem as yet, and I am very curious to see what the outcome will be. We have had to see to it for so long that all prices are fair - and in the case of cereals, for example, fair not only to the farmers who grow them but also to those who use cereals as raw material for livestock products.

There remains the question of prices that will cover costs - a subject broached by Mr. Rehwinkel. It is still not quite clear to me exactly what the point is here. It is of course true that industrial prices are rising, but the earnings of industry are rising still faster. If agriculture wants to keep up with this increase in productivity - and I have already referred to the outlook for the next twenty years - then charging prices that will cover costs will certainly not be enough by itself. I agree that we should try to get the highest possible prices, but we must do much more besides. I myself have come to the conclusion that only a well-thought-out structure policy coupled with a suitable price policy will make it possible for us to implement Article 39 of the Rome Treaty with regard to fair agricultural incomes.

Let us look back now at how agriculture has developed over the last twenty years. The main features of these years were an increase in productivity and structural changes, particularly a steady decline in the agricultural labour force. Mr. Rehwinkel has given us some figures on this too. The numbers employed in agriculture have fallen by approximately half a million each year. Mr. Rehwinkel has told us that in some countries the proportion of the total active population employed in agriculture has already dropped to 7% and that it will remain at this level. But perhaps it will fall even lower. In Britain, for example, the proportion is 4% and in the United States about 6%. Personally, I believe that a further reduction in the numbers employed in agriculture is essential. The problem, however, is that the number of agricultural holdings has not fallen quite so sharply. If we look at holdings with less than twenty hectares of agricultural land, we see that in 1965/66 these represented 85% of all holdings in Germany, 72% in France, as much as 90% in Italy, 87% in the

Netherlands and 89% in Belgium. In other words, in the EEC, they represent an average of 75 to 80% of all agricultural holdings. In addition, the number of holdings with less than twenty but more than ten hectares of agricultural land has increased in recent years by some 14% in Germany and by roughly the same amount in the Netherlands. In France, on the other hand, the number of holdings of this size dropped, while holdings of between twenty and thirty hectares of agricultural land increased. It must be remembered, however, that these are <u>average</u> figures for the member countries of the Community and that conditions in many areas are far worse and far more difficult. We can therefore say that in recent years the number of persons employed in agriculture has fallen more sharply than the number of holdings. This is another way of saying that there was concealed unemployment.

The reduction in the agricultural labour force has meant that family farms have tended more and more to become one-man farms. So a further reduction in the labour force over the next twenty years will only be possible if there is a rapid decline in the number of holdings and if new types of holding are found. The family farm would of course remain but would have to enter into certain co-operative arrangements or be enlarged to form rational production units. The real question is whether we shall be able to afford the one-man farm from the social point of view; if we fail to see this problem, we are blinding ourselves to the facts. The Commission has already taken up this question, but I must admit straight away that we have not found the answer yet. Above all - and I have said this at meetings of the Council and the European Parliament - we must see to it that a clear answer is found in the years ahead to the pressing questions being asked by young men and women on the land.

A rational holding - what does this mean today? I have read in the farming press - I think it was in an article by Professor Meimberg from Giessen - that the possibility of reducing costs by applying modern farm management methods - by introducing modern systems of housing livestock and modern working methods - only pays off with a herd of fifty cows or more. Here then is the opinion of another professor.

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Mr. Rehwinkel quoted Professor Weinschenk, if I remember rightly. Personally, I am more inclined to agree with Professor Meimberg. Indeed, I would even go so far as to say that herds are going to be far larger than this, and we must consider that there may well be a time when only herds of 100, 300 or 500 cows will be rational.

I would like to say something further about one-man farms at this point. I believe - and I am sure that nobody will contradict me here - that one man on a rational farm can look after thirty or forty cows. One man on a rational farm could also work thirty or forty hectares of arable land. This is what is possible at the moment here in Europe. I am not talking about the United States, where one man today can work 250 hectares of arable land; conditions there are quite different. We know, too, that in Europe at the moment a holding with ten hectares of fruit needs about two workers; that is the present-day situation. However, if we want to make up the leeway in farm incomes and at the same time keep pace with the rapid rise in incomes in other sectors of the economy - here I am assuming once again that average incomes will double in twenty years - then these are the cold, hard facts that we must face. Given these conditions, then, we must seek to find the most rational forms of production. Up to now we have made do with a reduction in the numbers employed in agriculture, and we have ended up with the one-man farm. But what is the social position of the one-man farm? There is no getting away from the answer. A man working a farm of this kind can earn as much as a man working in industry, but he must work seven days a week for it. This means a sixty-hour week; then he has virtually no holidays and cannot simply take time off if he falls ill or has an accident. And at the same time we know that in industry - and we are happy that such a development is possible - a four-day week and four weeks' annual holiday are on their way.

And then, what is the situation of the wife on a small farm like this? Unthinkable! On a family farm the wife must help with the farm work in addition to her household and family chores - which have not grown any less. And this she must do not only during the week but also on Saturdays and Sundays.

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On the one-man farm the social situation of the farmers and farmers' wives in particular is deteriorating. I wonder how many people are still willing to take this on today, and how many are likely to be prepared to do so in the future. I would also say to Mr. Rehwinkel that I do not think that ancillary agricultural activities are the answer, for the same reason.

The economic and social situation of the vast majority of workers has improved very much indeed. The family farm, however, has been left high and dry in this respect, and there is a strong tendency for the gap between the industrial and agricultural sectors to grow even wider. This, ladies and gentlemen, is merely a statement of fact. It is not a policy statement. But the facts themselves are driving us all towards a rational and social agricultural policy. Our children and our children's children may ask us before the next twenty years are up - ask all of us, the leaders of the farming community, the scientists, the politicians and the Commission: "You knew all this would happen, but what did you do about it?" And what have we in fact done to date? I am forced to admit that the average size of agricultural holdings has not changed much over the last fifteen years, that a vast amount of money has been spent on consolidation, migration, resettlement and so on. But has any of this improved economic and, even more important, social conditions on the family farm to such an extent that it will remain viable for the next twenty years, that it will be able to provide and maintain a standard of living comparable with that enjoyed by the non-farming community, and that the children on these farms will be willing to take over the working of the land because they can expect an economically and socially secure way of life? A positive answer must be found to all these questions, if we want to hold on to the family farm as the central factor in our agricultural policy.

In my view all this calls for a complete structural overhaul of the entire agricultural sector. And if you say to me that we should leave this to time and the natural process of change, then all I can say is that time and the natural process of change have failed to come up with a solution to these problems yet. The only solution is a deliberate agricultural policy and a purposeful

regional policy. So far, too much has been left to the natural process of change for us to hope now that it will produce a miracle in the near future.

This means then that we must now find a plan. We do not have a plan as yet. We do not yet know where we are going. But the responsibility for this has been placed in our hands, and so the Commission has decided to say something about it. We must all work together, and I am depending on the co-operation of COPA. We must analyse the situation, indicate possible solutions and then take political decisions.

With regard to family farms, we must establish whether the solution lies in co-operation between several similarly situated farms or whether the answer is further concentration coupled with specialization. May I say - and I know I am treading on dangerous ground - that we must be very careful in making statements about far-reaching concentration in agriculture. We hear a lot of talk about collective farms on the Communist pattern. I would ask you, however, to try to understand that this sort of talk throws a false light on what is a good solution to the problem of assuring the future of the family farm and improving earnings in agriculture. The big difference is that with us such a development would be completely voluntary and free from any compulsion. Private ownership of land would not be eliminated; it would merely be a question of organizing agriculture along more efficient lines so as to yield more rational business methods and bring farm incomes up to a level where they will compare with other incomes. The objectives of our agricultural policy, however, must be designed to fit a dynamic world - not a static one. Society as a whole has a duty to help the farming community achieve these objectives through a gradual process of evolution and not by introducing harsh measures. Ultimately, all this is a policy - may I stress this yet again - concerned with the future welfare of our farming families and the happiness of our children. Mr. Rehwinkel, I would like to take up what you said when you quoted Paul de la Garde. I would like to associate myself with you in this - not only with those who want to take up the cudgels for farmers, farming families, and their farms, but also with those who want to champion the truth. Most of all, however, I want to have a clear objective before me so that I can tell where I am going, and I must also have the means that will give me some chance of reaching this goal.