

Views of the German Ministry of Agriculture on the Mansholt Plan (1969)

Caption: In 1969, the German Ministry for Agriculture analyses the implications of the Mansholt Plan and sets out its ideas regarding the establishment of a future common agricultural policy.

Source: The Mansholt Plan, Criticism and Alternatives. Bonn: Federal Ministry of Food, Agriculture and Forestry, 1969. 62 p.

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5. The Federal Government's Concept of Future Agricultural Policy

The preceding chapters contain not only a critical review of the Commission's proposed measures for the reform of agriculture but also suggestions by the Federal Government towards the solution of certain problems of agricultural policy. The concept proposed by the Federal Government may be summarized as follows:

The agrarian programme of the Federal Government published last year remains the guideline of the Government's future agricultural policy. It describes the measures and objectives of the Federal agricultural policy in a clear and comprehensible way. This agrarian programme which is based on the scientific findings of modern agrarian economy has not only found general approval in non-agricultural circles but also - except for the chapter on price policy - the approval of a large part of the farming population, i.e. the population directly affected by the agricultural policy measures set forth in the programme. This is all the more remarkable since the agrarian programme calls for a considerable degree of understanding and preparedness for undertaking the necessary adjustments on the part of both the persons remaining in agriculture and those giving up agricultural occupation.

The Federal Government feel no need to deviate from their agrarian programme, which was put to trial in most intensive public discussions, now that the Commission have published their Memorandum on the reform of agriculture. The comments made by professional associations and agricultural scientists support the FMA's view that large parts of the Mansholt plan cannot provide a suitable basis for future agricultural policy within EEC. Hence, the Federal Government will also in the future orient their agricultural policy towards the long-term guidelines contained in the agrarian programme.

In the following, a summary survey is once again given of the most important principles contained in the agrarian programme and the underlying motives of this policy. This survey is to contribute to illustrating why the FMA are opposed to the Mansholt proposals.

In all developed economics throughout the world agriculture is faced with the same problem: it must currently adapt to the changing economic conditions which are primarily determined by developments in the secondary and tertiary sectors of the national economy, in order to participate in the general development of prosperity. The task of a rational agricultural policy consists essentially in facilitating this inevitable adjustment process in agriculture and in mitigating social hardships occurring in the course of this process.

As in the rest of the economy, a continuous increase of productivity constitutes a prerequisite to meeting the rising income expectations of the agricultural population, all the more so since the possibilities of increasing incomes are much more limited in agriculture than in other sectors. Demand for agricultural products showing a relatively slow increase, production cannot be stepped up to the extent required in order to arrive at a satisfactory increase of labour productivity at changed input of labour force. The latter is only possible if the labour force is steadily reduced and if the remaining labour is continuously better equipped with the production factors of capital and soil.

This is the basic concept of the agrarian programme both in relation to its objectives and the measures required for reaching these objectives.

The most important aims of agricultural policy are: the development of such forms of farms and enterprises as warrant a rational employment of the production factors capital and soil; the improvement of marketing efficiency, the stabilization of the agricultural markets as well as the maintenance of international goods exchange in farm products.

Here the decisive difference to the former principles of agricultural policy - and also to the proposals of the

Commission - consists in the fact that in the future agricultural policy will no longer be oriented towards a more or less static concept, such as family farms, full-time farms or also PU and MFE, but concentrates on man and thus on the provision of adequate incomes in conjunction with a satisfactory social status of the full-time or part-time agricultural population. In this it is up to the individual farmer to choose the way he wishes to take with a view to obtaining an adequate income and social status. Depending on his preferences he may choose between:

- the adaptation of his full-time or additional earning holding to the economic development by means of upgrading or enlargement;
- the transition to cooperative forms of agriculture;
- improvement of the agricultural income by means of a non-agricultural occupation or
- retirement from the agricultural production process.

In contrast to the Commission, the Federal Government do not intend to set general standards of organization and size in the development of new forms of agricultural enterprises. They are convinced that by the entrepreneurial initiative of the farmers themselves better account will be taken of the very differentiated regional and specific conditions. This will find its expression in a diversity of new forms of enterprises which cannot be foreseen at present.

The Federal Government have introduced all necessary measures for ensuring that this development is not impeded by possibly existing obstacles of a fiscal, legal or factual nature.

For those who consider that the above alternatives will not offer them a permanent basis of subsistence and a satisfactory income, a sufficient number of non-agricultural working places is to be created - possibly in the vicinity of the present places of residence.

The pertinent measures envisaged in the agrarian programme may be summarized in three main groups:

- measures for an improved mobility of the production factors labour and land, e.g. creation of non-agricultural working places, retraining, premiums for long-term lease contracts, the sale of farms etc.;
- measures for improving the efficiency of production and marketing, e.g. investment incentives, improvement of market survey and competition in the field of marketing etc.
- measures for improving the social security schemes for the agricultural population, e.g. increase of old-age pensions, preparation of statutory provisions in respect of accident and sickness insurance.

The individual measures will not be described in greater detail at this juncture. Furthermore, attention is drawn to the fact that the proposed catalogue of measures is of course subject to changes. The measures have to be currently examined as to their effectiveness and efficiency and will be replaced by more suitable ones if necessary.

From various quarters it was pointed out that although the agrarian programme, in conjunction with the proposals made by the Federal Ministry of Economic Affairs for the coordination and intensification of regional structural policy, was a valid concept of future agricultural policy, the necessary means for actually putting it into effect would, however, not be available in the years to come. The actual situation is as follows:

(1) In 1969, 3,440 million DM are available for structural measures in the meaning of the agrarian programme. This amount will, however, be reduced in the course of time because of increased expenditure on market organization. In order to prevent this, the Federal Government will move in Brussels the restriction of expenditure on market organization. To avoid misunderstandings it must be pointed out that

the below average appropriations to the agrarian programme have already been approved by the legislative bodies in the Federal Republic, while the respective estimates in the Mansholt plan are only a game on paper in the absence of any concrete financial basis.

(2) In the framework of the annual review and revaluation of the medium-term financial planning, additional means were earmarked for the period between 1968 and 1972, for the financing of measures newly introduced in 1969, on the basis of the agrarian programme (e.g. premiums for the cession of farmland, association for marketing promotion etc.):

million DM

<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
-	265	390	490	770

The total funds appropriated to the FMA (Epl. 10) were increased by these amounts over the appropriations made in the medium-term financial planning for the years from 1967 to 1971.

In addition, for 1969, approx. 740 million DM were drawn from the budgets of other ministries for the promotion of structural policy which the agrarian programme mentions as a decisive prerequisite to enhancing the occupational alternatives of farmers. These funds will facilitate the creation of industrial working places and the development of infrastructure in rural problem areas.

(3) In the present situation a restriction of other structural measures appears to be necessary as from 1970, in spite of the allocation of these additional funds. In order to prevent the measures indispensable for facilitating the structural adjustment process in agriculture, actually having to be curtailed, as from 1970, to the above indicated extent, the FMA have introduced the following measures:

1) Proposals have been submitted to the Council of Ministers for the restriction of market organization expenditure, especially in respect of milk. They imply a restriction of the guarantee price to a maximum quota yet to be established, and the participation of producers in the cost of surplus utilization. Such an arrangement would at least prevent a further increase of market organization expenditure.

2) In the review and revaluation of medium-term financial planning taking place in autumn of this year, efforts will be made towards increasing the budgetary appropriations to the FMA with reference to the possible political and general economic disadvantages resulting from a slowing down of the process of structural change in agriculture.

At a Farmers' Congress of the CDU which took place in Münster this March, the Federal Chancellor expressed his approval of these measures by stating "that in revaluating the medium-term financial planning, efforts will have to be made towards strengthening the position of agriculture".

In conclusion it may be said that the FMA agree to the general objectives set forth by the EEC Commission. In contrast to the EEC-Commission - who want to force a rapid change of the size structure in agriculture regardless of the economic and sociopolitical usefulness - the development measures proposed by the FMA aim at facilitating a long-term evolutionary adjustment process in agriculture. The Federal Government

consider their agrarian programme - in conjunction with the proposals made by the Federal Ministry of Economic Affairs for the coordination and intensification of regional structural policy - the more realistic concept for solving the present problems in the agrarian sector: it leaves greater room for individual decision-making, renounces the establishment of minimum sizes for individual production units - which cannot take sufficient account of the specific and progressively changing economic and social factors - and does not cause inconceivably high costs.