

## Interview with Hans-August Lücker: the agricultural price-fixing mechanism (Bonn, 15 May 2006)

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[François Klein] How did the 1968 plan to modernise Europe's agriculture come about, and what were its objectives?

[Hans-August Lücker] The objectives were those set out in the German Agriculture Act. In other words, the aim was to get Europe's agriculture, especially French agriculture, which accounted — I would say — for almost 40 % of the European whole, to meet those objectives, as part of a social market economy. Because in the meantime Europe had adopted Ludwig Erhard's concept of a social market economy. The whole of Europe had expressly embraced it; so the rules for Europe were the same as for Germany.

And these objectives were pursued in European agricultural policy too: that is to say, agricultural producer prices were not increased too much, though some of them were. We had to put them up — European and German farm prices were inherently interdependent. So if I do something on the one hand, I have to do something on the other hand as well.

The trouble was, the French wheat price at the time was 24 Marks per 100 kg, whilst the German price was 46 Marks. How do you reconcile that, since there has to be a single price? It wasn't easy, but we managed it without too much trouble, and with the help of the Ifo Institute for Economic Research in Munich, we did it.

There was a price differential within Europe, particularly between France and Germany, because the French surpluses were shipped off to Germany. The price was highest in the *Ruhrgebiet* and lowest in Aquitaine. And the price in Aquitaine was lower than the Ruhr price by the amount of the transport and selling costs. That was all, and in the middle of it we agreed a number of points.

And then a price had to be set on entry to the Community so that this price could be applied within the Community's borders and not undercut by imports. So we needed an import price for this intra-Community system, chargeable at the border as the commodity in question came in ... This import price was then higher than it would have been without our system. We used the surplus collected at the borders to finance the intra-Community system. That is how it worked.

At first sight that all looks a bit bureaucratic, but it isn't at all, it isn't. It's easy to administer and doesn't generate any particular costs. It's clear: if the price in Essen is 50 Marks, it has to be 45 or 46 at the border. Quite simple, isn't it? And then the French surplus comes to Germany.

At the time we were importing more than 60 % of our food from abroad, and when I told the French 'You're soon going to be our main suppliers', the French President said to me 'Yes, Hans-August, that's as it should be: we are married now and you have to cut back a bit on your foreign dalliances!'

That's how it is. I can only think it was down to good personal relations, to the fact that the 10, 12, 15 main players in European agriculture got on well together. We were all on first-name terms, even with Mansholt by the end. We had become a family. And without that, things wouldn't have turned out the way they did. This human dimension, the fact that we were all of one heart and mind, even with Mansholt — and we were later ... You couldn't separate us one from the other. And Mansholt came to realise that this policy, which he then embraced, was better than his own. Many a time afterwards he said 'the chief architect of the agricultural policy is Lücker.'

And right up until his death — I visited him at home two or three times every year — we remained good friends, right to the end.