

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.10/21

24 November 1955

Special distribution

Working Party 4 on  
Belgian and Luxemburg Requests

Original: French

## STATEMENT BY THE BELGIAN DELEGATION ON THE CONSEQUENCES OF THE ELIMINATION OF PROTECTIVE MEASURES IN FAVOUR OF AGRICULTURAL PRODUCERS IN RESPECT OF THE PRODUCTS FORMING THE OBJECT OF THE WAIVER REQUEST

### Structure of Belgian Agriculture

In order to understand the difficulties experienced by the Belgian agricultural industry, it should be noted that it is composed principally of very small enterprises. The area of agricultural land under cultivation is 1,740,000 hectares and the number of agricultural enterprises is 252,000 units. The average area under cultivation is 6.8 hectares (17 acres). Holdings of less than 10 hectares represent 82 per cent of the total number of units and 46 per cent of the land under cultivation. The average area of holdings is the smallest in Western Europe. There are 412,000 people employed in agriculture and 1,100,000 Belgians draw their livelihood directly from it. The enterprises are almost entirely of the family type: most of them are cultivated by the farmer and the members of his family. Only one-tenth of the labour force are wage earners.

### Agricultural Price Policy

The Belgian Government is concerned to assure the agricultural producer an income which will permit him and his family to make a living. To this end the Ministry of Agriculture calculates the so-called "prix de direction" which the farmer ought, theoretically, to receive to be remunerated for his work, and which it strives to realise by protective measures. These prices, however, are not in any way guaranteed and it often happens that as a result of surplus domestic production these prices are not attained.

Not only is the Belgian Government concerned with assuring a reasonable return to producers but also with the prevention of prices reaching an excessive level. There are two reasons for this. Firstly, in Belgium, wages and the various forms of remuneration are tied to the cost of living. An increase in agricultural prices resulting in an increase in the cost of living has a direct bearing on wages, which for a country dependent on the export of industrial products is extremely serious, if the increase in wages is not accompanied by an increase in productivity. In order to exert pressure on domestic agricultural prices the Belgian Government has frequently checked or even forbidden agricultural exports when world prices showed

a tendency to exceed the "prix de direction". Secondly, in the interests of the agricultural producers themselves the Belgian experience has shown that, if a reduction of prices does not appreciably increase consumption, an increase in prices, on the other hand, acts as an appreciable restraining influence. In this respect the example of the seasonal variations in the price of butter is typical. As soon as the price of butter passes a certain level consumption decreases to the profit of margarine. A reduction of 10 per cent in the consumption of protected products would cause serious difficulties for production because surpluses would then be created. It is therefore necessary not to discourage consumption.

### Necessity for Protection

It is not easy to make a comparison of agricultural cost prices. Though we know the cost prices within the framework of Benelux, drawn up on a comparable basis, it is not the same for other countries. A simple comparison of market prices is also fraught with difficulty. I was present at a meeting of the European Coal and Steel Community Working Party which discussed comparative prices for steel without reaching definite conclusions. One may ask, therefore, how one can give price comparisons for non-standardized agricultural products such as those for which we are requesting a waiver. There are, however, some indications which would render it possible to estimate the probable price variation between Belgian and foreign products.

In the Spring of this year we tried to form an idea on the variation of price between cattle for slaughter in Belgium and on foreign export markets, and we have found variations of up to 100 per cent - the same cattle costing double in Belgium. The conclusion of this study has been that, taking into account the costs of transport, foreign cattle imported would cost in Belgium, on average, 25 per cent less than domestic cattle. From a more detailed study made on more comparable bases, it has been possible to establish that Netherlands cattle were being sold at about 20 - 25 per cent less than ours. For butter the average base price fixed in Belgium is about Frs. 83. The price in force in the Netherlands is about Frs. 53 and Danish butter is even cheaper. In the fish sector, comparisons of prices are even more difficult as they often vary from hour to hour and the differences in quality are very great. Price comparisons dealing with the averages within Benelux have underlined that there are differences varying between 10 and 30 per cent in favour of the Netherlands. The differences in the costs of producing 1 unit of fish are of the order of 18 per cent, due to the higher costs of wages, repairs, ice, fuel, and other supplies. Another proof of the undisputably lower prices of foreign fish lies in the fact that importers vie with each other for import licences. For eggs we have known differences of prices up to 40 per cent.

For fruit and vegetables we have hardly any figures to furnish except those relating to Benelux, where the variations in cost prices are of the order of 25 per cent. On the other hand we have a great deal of experience in this matter. Besides price variations in the costs of production, and the

competition between farm products and our greenhouse products, the difficulties derive principally from the fact that intra-European trade is mainly conducted on a consignment basis. The exporter too frequently despatches his merchandise without sufficient knowledge of the state of the market. Discordant price movements are the result. Each year we are led to the conclusion that for one or the other product the exporter does not even obtain the price of transport and the customs costs.

A number of other factors lead to the conclusion that the income from Belgian agriculture is still inadequate, even with protection. Whereas the index of production costs in 1954 was at a level of 488 as compared to 1936-38, the price index only stands at 377. If this divergence had not been compensated in part by the increase in productivity the position of Belgian agriculture would have been very serious. Nevertheless the purchasing power of farmers is only 87 per cent of that of the base period 1936-38, whereas it exceeds 100 per cent for other labour categories.

The Department of Agriculture and certain scientific institutions, on the other hand, attend to the book-keeping aspect of a certain number of agricultural enterprises spread over all the regions of the country. Although these must all be enterprises conducted on rational lines, because these alone agree to their accounts being kept, this book-keeping shows that all these enterprises are in deficit if the hours of work effected are calculated on the basis of the wages which ought to be paid to a wage earner. It appears from this accounting that not only is the farmer not remunerated for the management of the enterprise but that neither he nor the members of his family receive an income equal to that of a wage-earning agricultural worker. This situation, which appeared for the first time in 1949, has worsened from year to year. As most of the enterprises - especially the small ones - have a mixed character, it is often difficult to ascribe this to one type of production rather than to another, but it seems that all types participate in the total deficit recorded.

#### The Consequences of Eliminating the Protective Measures

The number of persons engaged in Belgian agriculture is constantly declining. During the last twenty years the agricultural population has decreased by one-third, i.e. by 200,000 people. The number of enterprises has also decreased by about 50,000, i.e. by about 20 per cent, during the same period. Although possibly only a coincidence, this decrease corresponds approximately to the number of unemployed we have had in Belgium during all recent years except the present one. It is however notable that it is in the regions where the decline in the agricultural population has been greatest that unemployment is most widespread.

The restrictions for which we are asking a waiver affect production to the value of approximately 40 billion Belgian Francs. It is not exaggerated to say that the elimination of these restrictions would have the effect of

lowering the prices paid to cultivators by at least 20 per cent, i.e. 8 billion. This reduction of income would not in any way have the effect of reducing the expenses incidental to this branch of agricultural production (manure, seeds, fuel, wages, rent, interest, etc.) - representing about 22 billion. The net income of this branch of agriculture would therefore be reduced from 18 billion to 10, i.e. by about 44 per cent. The social consequences of such a reduction, which would especially affect small family enterprises (about 200,000), almost all of which draw their livelihood from protected products, are obvious, especially because, as we have already shown, producers do not at present receive for their labour a wage equal to that they pay to a hired labourer. The real hourly wage of the cultivators would thus fall by about 10 Belgian francs, i.e. by almost one-half of the amount received by a wage-earning agricultural worker or between one-half and one-third of the earnings of a Belgian industrial worker. The repercussions on unemployment of such a situation are difficult to assess. It is probable that the peasant would not abandon his farm and that the volume of production would not be affected. Not having any qualifications, the farmer would not moreover be able to find employment in industry which does not lack manpower, in spite of the high level of economic activity. In addition to the direct effect on the material position of the farmer, there are reasons to believe that the repercussions on local trade in and consumption of manufactured products should not be underestimated.

The possibility of substituting one line of  
production for another

The possibility of substituting one line of production for another is very small in agriculture as production is so closely linked to the climate and soil conditions. In the last fifty years, several lines of production have disappeared: the cultivation of oilseeds, hemp, certain dye-producing and medicinal plants; the raising of sheep no longer has much economic importance; the raising of rabbits, which at certain periods as regards exports to England was of such importance that the shipping line linking Ostend to Tilbury was called the "Rabbit-Line", no longer has any economic interest at all.

It has only been possible to introduce one new form of cultivation and that quite recently, namely hybrid corn, and this cultivation is only of interest to the largest enterprises. Thus, the problem in Belgium is to find an occupation sufficiently lucrative for a family drawing its livelihood from a small enterprise. If it were possible to give to each of them a few hectares more, most of the difficulties would be eliminated, but this possibility does not exist and agriculture is diminishing from year to year. The solution can therefore only be found in an intensification of cultivation. Furthermore, when producers have themselves tried to solve their difficulties through substitution, they have often only succeeded in complicating the problem still more. Thus, when grape-growers adversely affected by a preferential duty in the United Kingdom tried other cultivation lines in their green-houses, they created as an end result a problem of protection in the cultivation of tomatoes, salad greens and spinach.

Other information

The United States representative considered it would be useful if production figures for a longer period could be made available. I wonder whether such figures would be of real value. It must be remembered that in the last forty years Belgian agriculture has not known any extended period which might be considered as more or less normal. We had first of all the 1914-1918 war, and the period of reconstruction up to about 1927; then the great slump of 1930, the effects of which extended to about 1936; then again the war of 1940 with the period of tension which preceded it and the period of reconstruction to 1950 and even beyond. Further, it is hardly possible to draw conclusions which are valid about the profitability of an individual production line and its indirect effects from the extension of any one of the lines. In most cases, it can be admitted that a farmer can abandon or reduce one line of production if he is in a position to substitute for it another more lucrative. Thus, during the present year there has been a definite reduction of the acreage devoted to the cultivation of potatoes because the prices in recent years have not been adequate. In other cases, and especially in family holdings, it can be established that there has often been an increase in production when prices declined. Agriculture therefore itself consumes more labour in order to maintain its income at an adequate level. It is to this phenomenon that is ascribed in Belgium the regular increase of bovine cattle, whereas the prices of milk and meat products are not entirely satisfactory. It is only when the price no longer covers the direct costs of production (cattle fodder, for example) that one notices a recession in production due to a decline in prices. This phenomenon is uniformly present in matters concerned with pig raising in Belgium.