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THE PROBLEM OF INVESTMENT IN FRENCH AGRICULTURE

P. FROMONT

Faculté de Droit de Paris, France

FRENCH agriculture has one feature which is common to a great number of national institutions. It establishes a kind of balance between the forces of the past and those of the present. The past weighs on it very heavily. It gives it a really extraordinary knowledge of all the soils and climates of the country, which are very numerous. Unfortunately it also causes at the same time a distrust of the teachings of science. The present has penetrated very profoundly into the cultivation methods. Machinery and fertilizers are used so efficiently that if one compares the yields obtained in each French region with those obtained in foreign regions of similar natural conditions, one sees that France has nothing to lose in the comparison. Nevertheless, France is not satisfied with the state in which her agriculture finds itself now. She thinks that agriculture in the new world, and in other European countries like Denmark and Holland, have evolved far more rapidly than French agriculture, that some backwardness or delays can be noted, and therefore it is necessary to catch up with them. In 1945 the General Commissariat for the plan of modernization and equipment was created for that purpose. This Commissariat was competent to study the whole of the national economy, but it has stuck to six branches of production to concentrate better the national effort. Agriculture is one of those branches, and therefore a plan has been studied for it. The intention is to provide French agriculture with modern equipment, but equipment means investment, and that is the problem we are going to study in this paper.

It has been necessary to decide on the needs and to figure them out. It has been necessary also to find the resources, and these two problems are the ones which we are going to study.

INVESTMENTS REQUIRED

The meaning of the word 'equipment' should be very wide. In agriculture there is no boundary line between the working life and family life; and so a distinction is very difficult to make between home and business. For instance: To provide drinking-water supplies for a farm is at the same time a kind of equipment for the welfare of

the farm family and for the working purposes of the farm. Therefore we are concerned simultaneously with improving the methods of the producer by means of mechanization, and also of the instrument of its work, the soil, as well as the environment in which he lives, his habitation, his communications, roads, &c., without forgetting the places where crops and animals are going to be kept, like silos, dairies, refrigerators, &c.

We have first estimated the existing equipment and arrived at a figure equivalent to 553,000 million francs at the 1939 value. This figure is all the more interesting when one compares it with the total value of the agricultural land, which is 210,000 million, and with the figure of the revenue from the land in 1938, which is 90,000 million. Thus we see that man has added to the land more than twice the value of the land itself. (We must remember also that the last figure includes some of the value added to the land by means of land improvement works.)

But the aim of the Commissariat is not the past but the future. To find accurate bases on which to work, the Commissariat has tried to calculate the magnitude of the expense which it would have to incur, and, at the same time, the produce which could be expected from this expenditure.

Those complex calculations are summarized in the table on the opposite page.

The effort proposed is considerable, for to an existing equipment of 550,000 millions, the Commissariat intends to add another instalment the value of which is 320,000 millions. Why this great effort is now needed can be explained by the timidity which has been characteristic since the beginning of the twentieth century. The intensity of the individualistic feeling put a brake to a great number of improvements which could only be accomplished in a collective way, for instance, inclosures, land improvement, installations for the treatment of agricultural produce. Moreover, the low standard of living of the peasants which was acceptable in the past is no longer acceptable by the sons of those peasants.

We must remember that the last war has been a cause of great impoverishment in agriculture. The levies of the invader represented 25,000 million francs, and the destruction caused by military operations 43,000 million. For more than five years it has been impossible not only to buy new materials but to keep the existing material in order or to repair the buildings.

The peasants themselves begin to understand the problem very well when they try to establish their sons. They see the huge sums they

Estimated Investment for Development of Agriculture

	Total expense (in thousand million francs, 1939)	Unit	Cost per unit (francs, 1939)	Net annual plus- value (francs, 1939)	Observations
Machinery (complete mechanization)	35	Hectare	4,000	2,000	..
Inclosures	5	"	400	800	..
<i>Land Improvement:</i>	40	..	..	..	Effectiveness :
Drainage . . . . .	..	"	4,000	1,400	quite constant
Land amelioration by ditches . . . . .	..	"	2,500	700	quite variable
Irrigation . . . . .	..	"	10,000	10,000	very variable
Agricultural roads	40	Km.	80,000	10,000	..
<i>Rural Public works:</i>					
Electrification (interior installations included)	25	} per inhabitant served	1,500	300	Very variable
Drinking-water supply	30		2,000	500	
<i>Installations for treatment of agricultural products</i>	15	..	..	..	..
Cereals silos . . . . .	..	Quintal stored	80	20	..
Vinification cellars . . . . .	..	Hectolitre stored	150	40	..
Fruit stations . . . . .	..	Ton of fruits	1,000	500	..
Slaughterhouses . . . . .	..	Plant	2,000,000	600,000	..
Dairies . . . . .	..	Litre per year	0.70	0.15	..
<i>Rural buildings:</i>	125	..	..	..	..
Dunghills with cess-pits . . . . .	..	Square metre	200	40	..
Forage store-pits . . . . .	..	"	300	100	..
Barns . . . . .	..	"	200	20	..
Cow-sheds . . . . .	..	Per cow	4,000	400	..
Pig-sheds . . . . .	..	" pig	1,000	200	..
Village urbanization	5	..	..	..	..
Schools, research stations	1	..	..	..	..
Forestry equipment	19	..	..	..	..
	340				

would have to provide, and they see that, though in the past the establishment of the young people was easy with the resources of one family, now they have very often to apply for loans; so the problem overflows the family circle to reach the character of a social problem. Therefore society cannot neglect it. Thus in different ways the country has to find the way to equip national agriculture.

The Commissariat for the plan calculates on 60,000 million as the annual revenue of the 320,000 millions that need be invested. The favourable return in the investment is encouraging. Let us see now how the necessary resources can be supplied.

THE RESOURCES

The Commissariat for the plan has not neglected the financial problem. Taking into account the fact that, between the two wars, the farmers have supplied 66 per cent. of the capital, the State 16 per cent., and the local administration another 16 per cent., it is reckoned that in future the State should supply 12 per cent., the other public corporations 10 per cent., the farmers 68 per cent., and private capital the other 10 per cent. In spite of the empirical basis of this programme it has to be examined carefully, for the investment concerned is infinitely larger than that of pre-war, and it is not sure that the excess could be easily borne. From the economic point of view the problem must be set in this way: excluding foreign loans, investment has to be necessarily drawn from the national revenue. Two possibilities present themselves; either those interested in the operation themselves bear the levy on their own income, or, if their income is insufficient, the State can levy from the whole of the national income by means of taxes or loans and redistribute the total amount among the users in the form of credits included in the budget.

1. *The Levy on the National Income.* Though France has inherited from the old régime an instinctive tendency to try state help, we have seen that the Commissariat for the plan only asks from the State 12 per cent. of the necessary capital. The Commissariat stresses that this is only 0.5 per cent. of the national income of 1939, and that thus the burden seems bearable. Yet this is not quite clear. There is a very widespread feeling in France, including the ruling classes, that agriculture needs nothing. The land fertilized by human sweat is a poetical image too well known and easily accepted. In agriculture natural factors are the means of production. People think it is enough to give them some, no doubt fatiguing, care, but they think the hands of the farmers are enough.

That explains why the State has always been mean with regard to

agricultural activities, and has given the money somewhere else. Let us quote some figures from a report given to the Academy of Agriculture of France. The budget for agriculture has always been a very small part of the total budget. Even if we take away from the latter the credits destined to the service of public debts, it can be seen that, from 1930 to 1938, this part has varied between a minimum of 1.82 per cent. in 1939 and a maximum of 2.64 per cent. in 1930. These percentages acquire more importance when we remember that the occupants of farms form a third of the active population of the country. This inequality of treatment appears to be particularly striking in a number of directions. For instance, on professional teaching the State expends much more per head of industrial and commercial worker than per head of agricultural worker. In 1913 the expenses were respectively: 0.98 franc and 0.76 franc; in 1923, 4.97 francs and 2.24 francs; in 1933, 20.08 francs and 5.47 francs. To-day, for the second half of 1947, the credits devoted to technical teaching are 1,222 millions, against only 68 millions devoted to agricultural teaching. With regard to dwellings the difference of treatment is not less. To rebuild rural habitations—and it is here that the backwardness of agriculture is most considerable—the budget of 1940 foresaw a total of 500 million francs; for the urbanization of the Parisian region it devoted a total of 7,000 millions.

Thus lack of resources on the part of the State cannot always be invoked to explain the lack of funds in the budget for agriculture, since in the same budget credits are given or not according as their use is for urban uses or not. It is also probable that in certain ruling circles the idea still persists that the agriculturist does not pay taxes, and therefore cannot demand anything from the State. French legislation in the matter of taxes has, in fact, a favourable record with regard to agricultural profits. Only a very small number of farmers pay taxes on them. It is useless to remark that the scheduled taxes do not provide the State with more than 15 per cent. of its resources, and therefore this privilege which agriculture enjoys operates only within narrow limits. The psychological reality is there. The agriculturist is thought not to provide anything for the finances of the State, and therefore people think he has no right to demand anything.

As long as these beliefs go on we can say that agriculture enjoys a privilege for which it pays dearly. Yet a favourable factor has recently appeared. The State is beginning to realize the insufficiency of its efforts, and is trying to apply a remedy. The burden of the

expenses for the national reconstruction has forced the use of resources outside the budget. It has invented lately special financing techniques under the form of funds, such as National Forestry Fund, Fund for Collective Rural Equipment, National Fund for Agricultural Development, Fund for Agricultural Solidarity, &c. Although the organization of these different funds varies considerably in detail, essentially each consists of one sum which the State deducts from the selling of some important agricultural product like wheat, meat, sugar, &c. These sums are not included in the general budget, but are devoted to the financing, under different forms, of the agricultural development of the country.

From the administrative point of view, this technique is not without snags. The funds are too numerous and compete with each other in drawing from the same products. The rate of deduction and the utilization of the total collected escape the control of parliament. Improvements are therefore necessary. From the economic point of view we have here a new indirect tax levied on the consumer. It is a factor in the rising of food-stuffs' prices, and therefore one should expect difficulties from the social point of view. It would be a great simplification of the problem if the agriculturists could find within their own incomes the margin they need for their own equipment. Can they find it? That is the last question.

2. *The Levy on the Agricultural Income.* The answer is less simple than it seems. The insufficiency of investment in agriculture in the past can be explained in two ways: either the incomes were small, and they only enabled producers to pay for the goods they consumed without letting them have anything to save; or saving was possible and actually done, but instead of being invested in agricultural production, the savings went somewhere else to be invested. It seems that the second hypothesis is the one which corresponds to reality. The French peasants have a reputation of being great savers. The peasant savings, the woollen stockings of the peasants, were traditional themes of the social literature in France. But instead of using the savings to buy machines and to modernize the buildings, the peasants put them outside the agricultural field. We are not talking only of the rural exodus which took young people to the towns, young people whose entertainment expenses were paid out of agricultural profits without the youngsters having the time to repay those expenses into the agricultural world by means of their work. In a general way the peasant has directed all his savings to the town by subscribing to the loans of the State and to issues of shares and industrial bonds.

He did so because he could not psychologically and physically do otherwise. He was used to traditional methods of production which gave priority to the land and to the work and hardly used any capital. He did not know how far his investment in agriculture would be profitable. He did not know that he could expend money, with the help of his neighbours, on collective equipment of silos, stores, and packing centres. The absence of a properly developed agricultural education kept him in that ignorance. On the other hand the capitalistic banking system, which he could use and which from the beginning of the nineteenth century multiplied its branches throughout the country, was very well organized to drain the savings out of the agriculturists but was incapable of distributing the money back to the agriculturists in the form of loans. The banks were and are still organized to absorb the farmers' savings but not to return them in any way. Therefore any capital which is brought by agriculturists to the banks is lost from agriculture.

Until the organization of the offices of mutual agricultural credit there was no machinery to provide for loans to agriculturists; but, even when those were organized, there were some snags. Those centres for agricultural credit, in spite of recent efforts, organized only a small number of branches and that reduced their capacity for absorbing savings. (On December 31, 1946, they had received a total of deposits amounting to 36,000 millions.) Moreover, in spite of their business being small, they were not always respected by the State. The State sometimes asks the National Bank for Agricultural Credit to suspend the placing of its bonds when the State wants to direct the peasant savings towards its own funds (for instance towards the loan of the Liberation) or towards funds which have priority from the point of view of the State (for instance, the loan of the National Society of Railways (*La Société Nationale de Chemins de Fer*)). Moreover, the law of April 29, 1940, forces the regional savings organizations to place the excess of their deposits into the hands of the Treasury, into the Bank of France, or into the National Savings Fund; directly or indirectly the funds go to the public Treasury. Now, if their amount is very variable in time, it generally represents a very high total, for the peasants only make deposits at sight (in 1946, 28,000 million out of 36), whereas their applications for short-term loans are very often followed by long- and middle-term loans. Those cannot be financed by the deposits at sight. So on December 31, 1946, out of 30,000 millions received by these banks for agricultural credit, only 17,000 millions could be used for short-term credits, and 13,000 millions were used to finance the expenses

of the State in the form of Treasury bonds. Thus the capital created by agriculture has generally gone away from agriculture.

If the investment had at least been profitable, agriculture could have been benefited in an indirect way, but it was not so. The French peasant has generally made what is usually called bad investments. Let us consider the three periods of abundant savings he has known. First from 1896 to 1914; he subscribed government annuities at 3 per cent. and Russian bonds, besides South American bonds which were used to finance the equipment of Argentine agriculture. Then from 1925 to 1929 the peasant bought industrial assets, the majority of which were ruined by the world crisis of 1929. Lastly, from 1936 to 1939, the agriculturist only could, as all the other citizens, subscribe state loans, which were then 94 per cent. of the total of all the issues available in the market and were entirely absorbed by the necessities of national defence. Thus his desire for safety has forced the peasant to subscribe largely to fixed-interest securities which have particularly suffered from monetary depressions, whereas his industrial investments have been either unfortunate or have given birth to dangerous competitors.

So much for the past. What is the future going to be like? The answers to this question have to be qualified. And it can be divided into at least two other questions. Are the agricultural incomes, in general, sufficient to allow the farmers abundant savings? That is the first question. Opinions are very divided. Some people think that the peasant has been enriched because of the general dearth of food. They say that a great number of agricultural prices have reached co-efficients of increase from 12 to 20 compared with 1939, while the average co-efficient of all prices is round about 8. The profits of the black market, they say, have directed to the farms all the money of the starving people in the cities.

Others say that this way of reasoning is wrong. They say that whereas the prices of certain animal produce like meat, butter, eggs, have considerably increased, the prices of the basic commodities like wheat, milk, sugar, wine, have remained at a much lower co-efficient (from 5 to 6) because the collecting by the food-supply services was comparatively easy and the official prices could thus be respected. Now, these sale prices are lower than the real net cost, and if this has not disturbed the economics of the producers it is only due to the scarcity in manufactured goods. The working expenses of the agriculturists have fallen almost to zero, because they cannot find in the market either the machines they need or the materials which they also need to repair their buildings. In other

words, French agriculture is now using up its capital which cannot be built up again. It lives on artificial incomes. A very long and careful survey done in 1946 by the National Institute of Statistics and Economic Studies has absolutely confirmed this point. We still have to check the total evaluation which it has used by means of monographic inquiries which refer to a certain number of businesses. In fact, the operation of exchange of bank notes which took place in 1945 showed in the funds of the agricultural credit banks an average amount of 30,000 francs per depositor. Now this is an amount which is no higher than the one to be found in the town banks.

So it is not certain that there are now in the country abundant savings. On the contrary, and this is a second point, one sees how among the peasants a certain desire to equip themselves, to modernize their installations, in a word to invest in their own farms capital, which certainly, before the war, they would have immediately transformed into state annuities or into industrial bonds, and this new fact leads us to our conclusion.

CONCLUSION

The arrival of industrial and commercial capitalism gave birth in the towns to great demand for capital and to a whole banking organization devoted to the satisfaction of that demand. The capital needs of agriculture have been very low because of the small progress made by agricultural techniques. Because of these three facts the capital created by agriculture has not stayed on the land. It had gone to the State or to activities outside agriculture. Very little was left in, or came back to, the country. The flow was only one way. Modern agricultural techniques have altered the needs of the country as regards capital. The country needs now as much capital as the towns and these needs are particularly urgent in a country like France, where a certain backwardness is obvious. Great transformation is going to be necessary. The haemorrhage of the rural capital must cease, and indeed injections of capital coming from outside are needed. It is therefore necessary in the first place for society to pay for agricultural produce at a price which leaves the producer with a margin which could be called an equipment-margin. It is also necessary that society should cease to consider the country as an inexhaustible reservoir of capital. No doubt the country must contribute to the general equipment of the whole nation. We cannot make an exception in its favour. But the one-way traffic which was characteristic of the past must cease, and a true exchange of capital must take place. This result can only be achieved by means of a real reform of the public feeling.