

AUTHOR'S NOTE

I spent the summer of 1957 investigating the potential for high-protein concentrates in northwest Europe. It was an interesting opportunity to see European agriculture and the political factors involved in U.S. exports to Europe. It was at the time that European Common Market was being implemented. Only a small part of the full report is included here.

MARKET POTENTIAL FOR HIGH-PROTEIN CONCENTRATES IN NORTHWEST EUROPE

CHAPTER 12

The purpose of the investigation that I made was to explore the potential market expansion for high-protein concentrates, particularly soybean meal, in six north-west European countries. These are the United Kingdom, Belgium, France, the German Federal Republic, Denmark, and The Netherlands. Excepting the United States, these countries are the most important users of high-protein concentrates for livestock feeds, and they import a very high proportion of their requirements, as cakes and meals and as oilseeds.

CONSIDERATIONS IN EXPORT POTENTIAL

The export potential of soybean meal as such, or as soybeans, to the six north-west European countries depends on the size and potential of the market for high-protein concentrates within the countries. Any activities of the United States as a government or as individual firms in stimulating exports need to be directed toward exploiting the potential expansion that already exists; that is, in speeding up market development.

METHOD OF INVESTIGATION

The pattern of the study was to compile and examine the statistics pertinent to market size and then go into the countries involved to supplement the statistics, to obtain interpretation of the statistics, to discuss problems of expansion, and to obtain opinions about the expansion possibilities. In each country, Foreign Agricultural Service personnel of the USDA, government officials of various kinds, university specialists in various fields, trade association officials, importers, exporters, traders, oilseed crushers, and feed manufacturers were contacted. In all, there were conversations with about 200 people.

SIZE OF THE ECONOMIC MARKET

How big is the economic market for high-protein concentrates? Rough calculations indicate a potential increase of some 30 percent on the basis of current livestock

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numbers and kinds. Increases in population and per-capita consumption of meat and poultry meat add some 2 percent per year to the market size.

Livestock populations are increasing faster than protein production from forage. Because of the labor problems of increasing production, further increases in requirements of proteins will continue at a faster rate than production of forage proteins. Because the proportion of the total protein supply that is obtained from forage is much greater than that obtained from high-protein concentrates, there is a multiplier effect of the increase in requirements in relation to forage production. Not enough is known of protein sources and totals to calculate this effect on market size.

No precise calculation of the size of the market five to ten years from this time can be made. The several considerations involved suggest a market size some 50 percent greater than current consumption. Whether it is 50 percent, or 30 percent, or 80 percent is not of great consequence. The important conclusion is that the potential market size is substantially greater than current consumption.

The most rapid potential expansion is in France and Germany. These are the two countries with the greatest protein deficits in livestock rations and the greatest propensity to increase consumption of livestock products. The rate of expansion in these two countries will depend on continued consumer demand for increased meat consumption, improvements in the quality of protein concentrates, the rate of development of poultry meat industries, and the rate of advance in the technology of animal nutrition.

The United Kingdom presents an interesting case. The level of feeding efficiency is high, and the rate of increase in consumer demand for livestock products is low. Yet there is a continuing increase in the use of high-protein concentrates. It is apparently tied to the expansion of the mixed feed industry. The dynamics of this industry are such that it would be an error not to expect a continued expansion of use of the same general size as that of recent years.

In The Netherlands and Denmark, feeding efficiency is at a very high level. Substantial market expansion can be expected out of the decrease in butter production as compared to pork production and the shift to swine and poultry production.

The Netherlands and Denmark are livestock product factories, importing feed and exporting products. Market expansion for high-protein concentrates will depend, to a very great extent, on export volume. From a purely economic point of view, the export situation is favorable because these two countries hold a comparative advantage in livestock production. However, the political situations involved in the two countries are giving rise to very great pessimism about the possibilities of maintaining exports. Their policy makers greatly fear that the agri-

cultural policies of the countries to which they export are freezing them out and that this will result in decreased animal production.

PROBLEMS OF AGRICULTURAL PRICE POLICY AND NATIONALISM

To this point the discussion has been mostly confined to economic considerations. But these alone will not determine market expansion. There are agricultural policies and programs and protectionist systems that retard market development and alter the structure of production and trade.

Generally speaking, agriculture is highly protected and subsidized. In part, this is done to maintain a home-produced food supply—an attempt to become as self-sufficient as possible. It is, in part, for the purpose of supporting agricultural income.

There is little support and protection for agriculture in Denmark. There is very little disposition to promote or protect agriculture in Belgium. There is increasing concern about the agricultural situation in The Netherlands, and measures have been taken to protect the domestic price level of grains. In turn, a system of subsidizing exports is being developed. In Germany, France, and Great Britain there are large subsidies to agriculture and very extensive protection systems.

By way of example of the effect, the case of Germany can be cited. The import of feed grains is closely regulated so that the domestic price of feed grains, barley in particular, cannot fall below certain minimum levels. This, in turn, supports the price of feed potatoes and raises the costs, hence the price, of livestock products. Meat production in particular would expand substantially if it were not for this policy. It is very difficult to expand market size by price measures if the market is protected in this fashion.

In Germany there is a policy and a program to get all of the feed needed on a farm produced on that farm. This seems to have the effect of slowing down the rate of advance in the technology of animal nutrition. There is a policy of keeping poultry enterprises small and nonspecialized. This may be a good policy, but it slows down the rate of poultry expansion. The large, specialized poultry operations that are developing in Germany must overcome the opposition of governmental policy.

There are people in Denmark who have computed that the net farm income in Great Britain is just equal to the amount of the subsidies of various kinds paid to support British agriculture. British economists do not contradict the statement. As agriculture is expanded in Britain, the cost to the treasury is increased. The situation of large subsidies and high cost to the treasury cuts two ways with regard to the market for high-protein concentrates. On the one hand, it encourages importation of products from the colonies, mainly beef and butter from New Zealand and Australia, in the interest of keeping costs to the treasury down.

It appears that there is potential for increased poultry meat consumption in Europe. This does not mean that there is a great opportunity for the export of poultry from the United States. At this time poultry can be profitably exported from the United States and markets developed. Such a development has a short life expectancy. As the European market for poultry meat is developed, it will become protected for domestic producers. It is a kind of enterprise that fits in well with European agricultural conditions. The long-run benefits of the development of a market for poultry meat must be evaluated in terms of increased imports of feedstuffs rather than poultry meat.

There is no doubt that U.S. oilseed crushers are in a weak competitive position because of European protectionist policies. In the future, high-protein concentrates from the United States will be increasingly imported as oilseeds. This will continue until the market for oil is saturated with oil made from seeds and there is no oil export outlet.

