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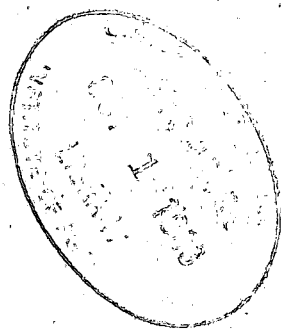
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THE RELATION OF CHANGES IN AGRICULTURAL
TRADING PATTERNS IN THE COMMON MARKET TO
UNITED STATES EXPORTS OF AGRICULTURAL
PRODUCTS

Summary

UNITED STATES exports of agricultural products to the six Common Market countries over the five-year period 1957-61 show little evidence, either in total value or in composition, of having been much affected by changes in Common Market trading patterns. This conclusion is based on examination of overall and selected commodity trade statistics and may overlook short-run or specialized commodity-trade developments. Also, of course, it does not take into account some very recent developments in 1962 following upon the adoption of a Common Agricultural Policy and the initial steps toward its implementation.

In respect of this policy it may be noted that although some marked reductions in United States exports of wheat flour and poultry meat occurred in 1962 the great questions in United States agricultural export circles do not concern what has already happened but what may yet happen. The total value of United States agricultural product exports to the European Economic Community (EEC) was slightly more than \$1.1 billion in 1957 and again in 1961. This value may be sharply reduced in the later years of this decade if the EEC adopts high internal farm-product prices chiefly, but not exclusively, for grains, leading to a greater degree of self-sufficiency in agricultural products through increased encouragement of expanded output on the one hand and a dampening effect on expanded consumption on the other hand. United States export commodities which may be affected most directly and in greatest magnitude are wheat and feed-grains. Poultry meat and rice are, or will be, directly affected but the trade values in respect of these commodities are smaller than for the

¹ The opinions expressed in this paper are those of the author, and do not necessarily represent the views of the U.S. Department of Agriculture.

grains. Additional items on which U.S. concern has been expressed are beef and pork-variety meats, lard, tallow and some fruits and vegetables. U.S. exports of unmanufactured tobacco and vegetable oils may be adversely affected by duty rates in the common external tariff.

Some provisions of the Common Agricultural Policy will aid in trade expansion through elimination of trade restricting devices such as import quotas, mixing regulations, state trading and other non-tariff controls or fees. The United States and the EEC have agreed to discuss the matter of trade access for wheat, corn, grain sorghums, poultry and rice and the EEC has agreed to take corrective measures for any decline in U.S. exports of quality wheat resulting from application of the common agricultural policy.

In a more general agreement the Common Market has signified its willingness to reconsider its overall commercial relations with the United States in the light of changes therein brought about by the Common Agricultural Policy, the association of Greece with the Common Market, the new Convention of Association with overseas countries and territories, the U.S. Trade Expansion Act of 1962 and related matters.

Perhaps as good a beginning as any in this discussion is an exposition of the trade stakes involved from the angle of U.S. exports of agricultural commodities to the Common Market (EEC). The six EEC members and Greece, recently associated with the EEC, have a population of about 180 million. If the four countries—United Kingdom, Denmark, Norway and Ireland—who have applied for full membership, and the five countries which have applied for some kind of association—Austria, Sweden, Switzerland, Spain and Turkey¹—all succeed in joining the EEC it would have a population of about 320 millions. The present EEC and the United States are the two leading trading partners in the world. Together they account for more than half of the combined world export and import trade and 45 per cent. of world agricultural trade.² With the addition of the application countries, the seventeen-country EEC and the United States would account for 73 per cent. of total world trade and 68 per cent. of world agricultural trade.³

¹ Portugal has also expressed an interest in discussing some form of relationship with the EEC.

² *Foreign Agricultural Trade of the United States*, Economic Research Service, U.S. Department of Agriculture, October 1962, p. 5.

³ *Ibid.*, p. 5.

In 1961 the United States exported \$1.2 billion worth of agricultural products to the EEC. (See Table 1.)¹ Most of this export trade was commercial (92 per cent.) with the remainder having been conducted under export programmes of the U.S. Government. Common Market countries accounted for almost one-third of total U.S. dollar sales of farm products abroad in that year. As the table shows there was little change in the total value of U.S. agricultural exports to the EEC countries as between the years 1957 and 1961 although there was substantial variation over the period. The composition of U.S. exports also showed marked changes from year to year, particularly in respect of wheat, cotton, feedgrains, soybeans, vegetable oils, rice and poultry meat. In so far as patterns are concerned the five-year period 1957-61 shows consistent, or fairly consistent, increases for soybeans, poultry meat, feedgrains and tobacco. The value of cotton exports varied sharply from year to year and the value of vegetable oil exports showed a very substantial decline.

As Table 1 indicates, the most important items and groups were cotton and linters, feedgrains, soybeans, wheat and flour, tobacco, and fruits and vegetables. The export value of this group, combined, rose 4 per cent. from 1957 to 1961. Much larger proportionate increases occurred in rice and poultry and eggs (chiefly poultry meat), but the absolute trade values here are small. West Germany and the Netherlands were major buyers in 1961 taking between them almost three-quarters of the total value of shipments to the Common Market. A sizeable share of exports to the Netherlands represented transshipments to other countries. In 1961 the major Common Market buyers of U.S. cotton were France, Italy, and West Germany. The Netherlands took more than half of the feedgrains, and West Germany and Belgium the bulk of the remainder. The Netherlands was also the leading buyer of soybeans while West Germany was the leading Common Market outlet for U.S. tobacco.

Trade patterns

The rapid, sustained economic growth of the Common Market countries is nowhere better illustrated than in the data on total imports shown in Table 2.² In the nine-year period 1951-60, most of which antedated the formation of the EEC, the value of total EEC country

¹ *Ibid.*, p. 8.

² The import data included in this article through 1960 have been taken from *Statistical Abstract of the European Economic Community—Vol. I—Agricultural Trade and Finance*, Economic Research Service, U.S. Department of Agriculture, 1963.

TABLE I. U.S. agricultural exports to present and potential members of the European Economic Community: value by country group and commodity group, calendar years 1957-61*

Group	Wheat and flour	Cotton including linters	Feed grains	Fruits and vegetables	Tobacco	Soy-beans	Lard and tallow	Vegetable oils expressed	Rice	Poultry and eggs	Pork	Food for relief, &c.	Other	Total
	Million dollars													
Present members†														
1957 .	118.8	368.9	108.7	68.0	80.6	76.5	45.2	90.9	2.1	2.7	1.7	50.7	125.1	1,139.9
1958 .	67.7	199.8	163.8	69.4	89.5	62.1	34.8	17.1	3.4	3.9	1.5	41.3	92.7	846.0
1959 .	56.5	108.4	245.8	58.3	82.1	98.5	49.1	42.3	11.1	21.3	1.7	24.2	143.5	941.8
1960 .	55.8	317.7	203.3	58.4	88.3	124.1	40.1	45.0	7.0	30.1	1.5	20.4	125.0	1,115.7
1961 .	185.6	238.2	195.0	70.1	96.5	121.5	34.6	33.4	15.1	48.3	1.6	30.6	121.6	1,191.1
Potential members‡														
1957 .	110.0	210.7	115.1	48.5	175.3	28.5	33.4	51.2	0.4	0.4	2.1	21.8	82.6	880.0
1958 .	72.0	143.9	136.6	55.6	172.1	17.9	22.2	92.8	1.8	6.3	2.1	15.2	55.2	791.7
1959 .	46.1	71.3	192.3	64.0	158.0	28.1	30.8	76.7	3.6	12.3	2.1	4.1	70.7	758.1
1960 .	80.9	141.2	174.0	75.6	195.8	37.0	38.8	58.7	3.7	10.4	2.1	10.2	66.4	892.8
1961 .	172.5	120.6	144.4	74.2	186.4	34.4	37.5	26.7	6.7	10.6	2.1	5.7	68.1	887.9
Present and potential members														
1957 .	228.8	579.6	223.8	116.5	255.9	105.0	78.6	142.1	2.5	3.1	3.8	72.5	207.7	2,019.9
1958 .	139.7	343.7	300.4	125.0	261.6	80.0	57.0	109.9	5.2	10.2	3.6	56.5	147.9	1,637.7
1959 .	102.6	179.7	438.1	122.3	240.1	126.6	79.9	119.0	14.7	33.6	3.8	28.3	214.2	1,699.9
1960 .	136.7	458.9	377.3	134.0	284.1	161.1	78.9	103.7	10.7	40.5	3.6	30.6	191.4	2,008.5
1961 .	358.1	358.8	339.4	144.3	282.9	155.9	72.1	60.1	21.8	58.9	3.7	36.3	189.7	2,079.0

* Compiled from official records, U.S. Bureau of Census.

† Present members include Belgium, France, Italy, Luxembourg, the Netherlands and West Germany, as full members, and Greece as associate.

‡ Potential members include Denmark, Ireland, Norway and United Kingdom as full member applicants; Austria, Sweden and Switzerland as applicants for association only; and Spain and Turkey as applicants for association. Besides the present and potential members, a number of African and other overseas countries and territories are 'associates'. The summary excludes trade with these associates; this trade equalled 9 per cent. of total U.S. agricultural exports to the present and potential Common Market members and nearly half of total U.S. agricultural imports from the present and potential Common Market countries in 1961.

imports almost doubled. Even after allowance for increases in prices this is an impressive performance. The growth in value of agricultural imports was much more modest, 36 per cent., when the 1952-3 and 1959-60 years are compared. The value of total imports and agricultural product imports from other EEC countries showed impressive gains also, as the former rose 140 per cent. and the latter 87 per cent. between the two-year periods 1952-3 and 1959-60. During the same period agricultural product imports from the United States rose 16 per cent. in value while those from other third countries rose 31 per cent.

It may also be noted that the value of agricultural imports by EEC countries from EEC countries rose sharply again, 13 per cent., in 1961 although there was a decline of 3 per cent. in the value of total agricultural imports from the level of 1960 (Table 2).¹ In view of the fluctuations from year to year in trade in agricultural products arising from changes in available supplies and in relative prices, it is interesting to note the behaviour of the value of agricultural imports into the EEC countries from other EEC countries as shown in Table 2. From 1952 through 1961 the value of imports from partner countries increased every year with only one exception, 1958. This was a more consistent performance than the year to year changes in total value of agricultural imports which, although rising substantially over the period, displayed two instances of declining values in respect of the preceding year, 1958 and 1961. The conclusion can hardly be avoided that, in so far as gross imports are concerned, there has occurred not only a consistent but also a substantial growth in agricultural product trade among the EEC countries since 1952, long before the EEC came into existence and even longer before the first outlines and steps toward implementation of the EEC common agricultural policy were achieved in 1962.

Examination of the distribution of all agricultural imports into the EEC countries by origin since 1953 reveals that the United States

¹ The import trade values shown in Table 2 represent the aggregate values for forty-seven three-digit SITC classes. Some exclusions were made to avoid inclusion of some items which are not commonly regarded as agricultural but the total value involved in these exclusions is small relative to the total values shown in this table. Crude rubber was also excluded as not properly belonging in this discussion. The basic data were drawn from *Statistical Bulletins* published by the Organization for European Economic Cooperation (OEEC), now the Organization for Economic Cooperation and Development (OECD). Wheat flour was converted to grain equivalent by multiplying by 1.333. The import data show some variances from reported exports from the United States owing to differences in time, valuation and coverage.

TABLE 2. *European Economic Community: total, agricultural and non-agricultural imports by origin, value, 1951-60*

Year	Total	EEC countries*	Total minus EEC countries	United States	Other countries†
<i>Million dollars (c.i.f.)</i>					
<i>Total</i>					
1951 . . .	15,329	3,504	11,825	2,311	9,514
1952 . . .	15,374	3,633	11,741	2,190	9,551
1953 . . .	15,151	3,973	11,178	1,591	9,587
1954 . . .	16,613	4,561	12,052	1,812	10,240
1955 . . .	19,211	5,547	13,664	2,378	11,286
1956 . . .	22,328	6,326	16,002	3,084	12,918
1957 . . .	24,763	7,030	17,733	3,821	13,912
1958 . . .	22,881	6,786	16,095	2,802	13,293
1959 . . .	24,295	8,088	16,207	2,654	13,553
1960 . . .	29,621	10,145	19,476	3,832	15,644
<i>Agricultural</i>					
1951 . . .	6,336	‡	..	1,128	..
1952 . . .	5,808	754	5,054	994	4,060
1953 . . .	5,941	810	5,131	703	4,428
1954 . . .	6,378	868	5,510	756	4,754
1955 . . .	6,453	1,076	5,377	779	4,598
1956 . . .	7,486	1,120	6,366	1,047	5,319
1957 . . .	7,928	1,296	6,632	1,154	5,478
1958 . . .	6,920	1,087	5,833	857	4,976
1959 . . .	7,427	1,360	6,067	852	5,215
1960 . . .	8,558	1,559	6,999	1,120	5,879
1961 . . .	8,304	1,769	6,535	1,148	5,387
<i>Non-agricultural</i>					
1951 . . .	8,993	‡	..	1,183	..
1952 . . .	9,566	2,879	6,687	1,196	5,491
1953 . . .	9,210	3,163	6,047	888	5,159
1954 . . .	10,235	3,693	6,542	1,056	5,486
1955 . . .	12,758	4,471	8,287	1,599	6,688
1956 . . .	14,842	5,206	9,636	2,037	7,599
1957 . . .	16,835	5,734	11,101	2,667	8,434
1958 . . .	15,961	5,699	10,262	1,945	8,317
1959 . . .	16,868	6,728	10,140	1,802	8,338
1960 . . .	21,063	8,586	12,477	2,712	9,765

* Belgium-Luxembourg, France, Italy, Netherlands and West Germany.

† Total minus columns 2 and 4.

‡ Not available.

held about a 13 per cent. share during 1953-6 and also during 1957-60 (Table 3). Imports from other third countries declined from 73 per cent. of total value in 1953-6 to 70 per cent. in 1957-60. Intra-EEC trade increased substantially, rising from 14 per cent. of total import

value in 1953-6 to 17 per cent. in 1957-60, or by 21 per cent. In 1961 the share of total agricultural imports from partner countries rose sharply to 21 per cent. The United States share rose to 14 per cent. and the combined share of all other third countries declined to 65 per cent.

TABLE 3. *Percentage shares of total value of agricultural imports into EEC countries by selected origin, 1953-6, 1957-60 and 1961*

Origin	1953-6	1957-60	1961
	<i>Percentage distribution</i>		
Other EEC countries	14	17	21
United States	13	13	14
Other third countries	73	70	65

In order to provide a special trade universe limited to products exported by the United States to the Common Market and also to reduce the work of tabulation, a group of sixteen SITC three-digit classes was selected. This group was reduced to ten classes by consolidation in one class of closely related items, such as wheat and flour, corn, barley and other feedgrains, and oilseeds, nuts and kernels, as shown in Table 4. This selected universe represents about 90 per cent. of total U.S. agricultural product exports to the six EEC countries during the past ten years. Fruits and vegetables is the only large group excluded from the universe. This group of ten commodities also represents between 45 and 49 per cent. of all agricultural products imported into the six EEC countries during the period 1953-60.

As Table 4 shows, the percentage shares of cotton, feedgrains, oilseeds and fats and oils imported from the United States increased between 1953-6 and 1957-60 whereas imports of the same commodities from other non-EEC countries declined. For these same two periods the shares of imports of unmanufactured tobacco, wheat and meats from the United States declined whereas the shares of tobacco and meat imports from other non-EEC countries increased. The shares of rice imports from both the United States and non-EEC countries increased while the share of imports from partner or EEC countries declined substantially. For feedingstuffs, the share of imports from the United States rose only from 6 to 7 per cent. but the share from other non-EEC countries rose from 53 to 60 per cent. The distribution of import shares of hides and skins showed little change

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with import shares of both the United States and partner countries
rising at the expense of the share of non-EEC countries.

TABLE 4. *EEC agricultural imports of ten important commodities distributed by percentage share among selected origins, four-year averages, 1953-6 and 1957-60**

Commodity	United States		Other EEC countries		Other countries	
	1953-6 average	1957-60 average	1953-6 average	1957-60 average	1953-6 average	1957-60 average
	<i>Per cent.</i>					
Cotton	33	44	3	2	64	54
Feedgrains	29	38	4	8	67	54
Oilseeds, &c.	24	35	1	1	75	64
Fats and oils	27	30	12	11	61	59
Tobacco, unmanufactured	33	29	3	5	64	66
Wheat	31	22	7	16	62	62
Meats	13	10	33	31	54	59
Feedstuffs	6	7	41	33	53	60
Hides	10	10	17	19	73	71
Rice	9	14	24	10	67	76

* Adapted from *Statistical Abstract of the European Economic Community, vol. i, Agricultural Trade and Finance*, Economic Research Service, U.S. Department of Agriculture, 1963, p. 9. The shares shown were derived from import quantities rather than values. See footnote, p. 359, for basis and method of construction.

Partner country import shares for feedgrains, wheat and unmanufactured tobacco rose whereas the shares of imports of rice, feedingstuffs and meats declined. Small declines also occurred in partner country shares of imports of cotton and fat and oils and the share of oilseed imports, quite small, was unchanged.

Table 5 was constructed in order to show changes by country in the value of total EEC agricultural imports between 1952-4 and 1957-60 and also changes in the distribution of these imports by selected origins. For Belgium-Luxembourg and France the value of all agricultural imports increased only slightly between the two time periods shown but the distribution of imports among origins changed considerably. This was particularly true for France which took a substantially increased proportion of her imports from EEC partners in 1957-60 compared with 1952-4. This increase was made up in part by a very small increase in imports from 'other countries' but more so by a decline in the value of French agricultural imports from the United States. Belgium and Luxembourg also took a much larger value of agricultural imports in 1957-60 from partner countries than

in 1952-4. These countries increased the value of their imports from the United States also, but to a much smaller degree, and reduced their takings from other non-EEC countries.

The table shows a sharp rise in agricultural import values for Italy, West Germany and the Netherlands. These increases were distributed in greatest proportion for all three countries among EEC partner countries. The value of imports from the United States also rose substantially for both the Netherlands and West Germany but declined 8 per cent. for Italy between the periods shown. Both Italy and West Germany also sharply increased the value of their agricultural imports from 'other countries'.

TABLE 5. *Percentage changes in the value of EEC country imports of agricultural products and their distribution by origin between 1952-4 and 1957-60*

Country	Agricultural imports	Changes by origin		
		From EEC countries	From the U.S.	From other countries
		<i>Per cent.</i>		
Belgium-Luxembourg	+2	+22	+5	-8
France	+4	+60	-14	+2
Italy	+50	+117	-8	+56
Netherlands	+30	+95	+42	+17
West Germany	+47	+69	+49	+41

The distribution among selected origins of agricultural product imports by individual EEC countries for the periods 1952-4 and 1957-60 are shown in Table 6. France, Italy and the Netherlands all took very modest proportions of their total agricultural imports from partner countries during both of the periods shown. Substantial increases in proportion of imports taken from partner countries occurred in all three countries, 60 per cent. in France, 50 per cent. in Italy and nearly 45 per cent. in the Netherlands. The proportion of imports taken from partner countries by Belgium-Luxembourg rose 20 per cent. from 25 to 30 per cent. of total imports. West Germany increased its takings from partner countries slightly as a proportion of total agricultural imports. Both France and Italy reduced their imports from the United States as a per cent. of total imports but the reduction was much greater for Italy than for France. This last should not be attributed to a reduction in Public Law 480 programming since

these programmes did not come into existence until late in 1954. Both West Germany and Belgium-Luxembourg took from the United States the same proportion of total agricultural imports in both periods. The Netherlands increased its proportion of imports from the United States. Four of the five countries reduced the proportion of agricultural product imports obtained from other third countries between 1952-4 and 1957-60 but the reduction was small for France. Italy increased the proportion of its takings from other third countries. This increase together with that for imports from partner countries was at the expense of the U.S. share which declined 41 per cent. between 1952-4 and 1957-60.

TABLE 6. *Agricultural imports of individual EEC countries in 1952-4 and 1957-60 distributed among selected origins**

<i>Importing country</i>	<i>World</i>	<i>Other EEC countries</i>	<i>United States</i>	<i>Other third countries</i>
		<i>Per cent.</i>		
<i>France</i>				
1952-4	100	5	8	87
1957-60	100	8	6	86
<i>Belgium-Luxembourg</i>				
1952-4	100	25	16	59
1957-60	100	30	16	54
<i>West Germany</i>				
1952-4	100	20	14	66
1957-60	100	22	14	64
<i>Netherlands</i>				
1952-4	100	9	22	69
1957-60	100	13	24	63
<i>Italy</i>				
1952-4	100	8	17	75
1957-60	100	12	10	78

* Based on import value.

Turning now to 1960 and 1961, the most recent years for which trade data are available, we see in Table 7 the distribution, for each of these years, of the value of total agricultural imports by selected origins. We saw in Table 3 that the EEC countries combined took 17 per cent. by value of their total agricultural imports in 1957-60 from partner countries and that the share rose to 21 per cent. in 1961.

Table 7 shows the distributions of import values by individual EEC countries for the last two calendar years reported. Little change occurred in the distribution by origin of overall French agricultural imports between the two years. France continued to take a very large proportion of her total agricultural imports, 81 per cent., from non-EEC countries and a modest proportion, 10 per cent., from partner countries.

TABLE 7. *Agricultural imports of individual EEC countries for 1960 and 1961 distributed by percentage share among selected origins**

<i>Importing country</i>	<i>World</i>	<i>Other EEC countries</i>	<i>United States</i>	<i>Other third countries</i>
	<i>Per cent.</i>			
<i>1960</i>				
France	100	11	8	81
Belgium-Luxembourg	100	28	17	55
West Germany	100	25	14	61
Netherlands	100	14	26	60
Italy	100	11	8	81
<i>1961</i>				
France	100	10	9	81
Belgium-Luxembourg	100	28	14	58
West Germany	100	27	13	60
Netherlands	100	17	26	57
Italy	100	13	18	69

* Percentage shares derived from import values.

This proportion was, however, markedly higher than that during 1952-4 when it was only 5 per cent. The proportion of French agricultural imports which originated in the United States rose from 8 to 9 per cent. Belgium-Luxembourg showed no change in proportion of imports from partner countries between the years 1960 and 1961 but this level was below the 1957-60 average of 30 per cent. The import share obtained from the United States declined and that from other third countries increased. West Germany took a slightly larger share from partner countries in 1961 than in 1960 but a markedly greater share in both years than in 1957-60 (Table 6). By 1961 West Germany was taking 13 per cent. of total agricultural imports from the United States, down from 14 per cent. in 1960 and from 16 per cent. in 1957-60. The Netherlands increased its proportion of imports from partner countries to 17 per cent. for 1961, up from 14 per cent. in 1960 and 13 per cent. for 1957-60. Italy, which

took only 8 per cent. of its agricultural imports from the United States in 1960, and 10 per cent. in 1957-60, took a big 18 per cent. in 1961. In that year Italy's imports from other third countries, as a proportion of total imports, declined sharply from 81 to 69 per cent. This compares with 78 per cent. in 1957-60 and 75 per cent. in 1952-4.

Early in 1962 the EEC agreed on a Common Agricultural Policy and in mid-1962 took the first steps in its implementation when a series of trading and related regulations became effective. The regulations which were important to U.S. exporters, directly or indirectly affected wheat and flour, feedgrains, poultry meat, and fruits and vegetables. This group of commodities accounted for \$500 million of the \$1.2 billion worth of U.S. agricultural exports to the EEC in the year ending 30 June 1962. Other important U.S. export items which probably will be affected by forthcoming EEC regulations are beef and pork-variety meats, lard, tallow and rice. Cotton, the most important single export commodity, is not covered under the EEC agricultural policy. Soybeans and soybean meal are bound duty free. U.S. exports of fruits and vegetables were not affected during the first two months following issuance of a number of EEC regulations but may be affected as internal EEC preferences replace national trading policies. For tobacco the concern of U.S. exporters is in the incidence of *ad valorem* rates on the relatively high-priced U.S. leaf as the common external tariff is gradually adopted.

The influence of the EEC trading regulations thus far adopted upon U.S. agricultural exports in the year ending 30 June 1963 is expected to be adverse but small in magnitude. Poultry meat and flour exports will probably be sharply lower but the expected reductions in exports of feedgrains and lard are related to higher levels of EEC domestic production rather than to inhibiting or discriminative import policy.

Longer-run developments in the effects of the Common Agricultural Policy upon United States exports of agricultural products to the EEC are expected to be broader in scope and may be much greater in magnitude than those thus far observed. Changes in internal price levels and related changes in domestic production and consumption are involved here in addition to trading regulations. Major commodities concerned are wheat and feedgrains, rice, all livestock products, and fresh and processed fruits. Oilseeds and vegetable oils, not now involved, may later be drawn into the scope of the CAP particularly in respect of trade and price policy toward the Associated Overseas Countries and perhaps also in relation to policies adopted for domestic

animal fats including butter. Both the quantity and the distribution by origin of imports of unmanufactured tobacco will be affected by the shift, as the Common External Tariff is realized, toward relatively high *ad valorem* rates with high ceilings on specific duties.

The foundation of the EEC farm-income-support policy is the grain programme. Grain accounts for 45 per cent. of cropland and is the major input in livestock production, especially pork, poultry and eggs.¹ Since EEC farm income supports are market based the price of grain is the key element in the structure of farm-income supports. Thus the ultimate level of farm-income support and, to a very considerable degree, the level of consumer food prices and the volume of grain and livestock product imports depend upon this factor. The ultimate level of common grain prices is scheduled to be determined in the spring of 1963 and to be realized in 1970. It apparently has been decided that prices for wheat and feedgrains should be so related as to provide for free substitution among them in both production and consumption.

The ultimate producer price level will probably fall somewhere between current French and German grain prices. For 1961-2 the French wheat price to producers was about \$2.17 per bushel and the West German price was about \$2.92 per bushel. Learn concluded that by 1970 total EEC grain imports, excluding rice, might well vary between 3.4 million tons and 10.9 million tons depending upon the price assumptions made. The 10.9 million ton figure² warrants only limited attention since it was based upon continuation of national policies. The 3.4 million ton figure was related to adoption of West German grain prices. If the French price level were adopted, which seems unlikely, imports would run about 8.8 million tons whereas a price level about half-way between the French and West German levels might result in annual imports of about 5.8 million tons. These import figures are all net except the FAO estimate and assume no grain exports outside the EEC area. To the extent that any such occurred the import projections should be increased by an identical volume (Table 8).³ For 1957-9 actual net grain imports were about 9.3 million tons annually.

¹ This discussion draws heavily upon a study, 'Long-Term Effects of Common Market Grain Policies', by Prof. Elmer Learn of the University of Minnesota, in which the author participated. See January 1963 issue of *Foreign Agricultural Trade of the United States*, E.R.S., U.S. Department of Agriculture.

² Source: UN-FAO, *Agricultural Commodities—Projections for 1970*, E/CN, 13/48, CCP 62/5, 1962.

³ Adapted from table 1 in Professor Learn's study referred to above.

These projections are based also on conclusions that developments in grain yields will be largely independent of price levels, that grain areas will not change much in West Germany, Belgium and the Netherlands, but will decline in Italy and that any substantial increase in grain area will occur in France which has considerable land area that might be shifted to grain, lowest grain prices in the EEC, and a relatively low level of fertilizer use.

TABLE 8. *European Economic Community grain production, consumption and trade, '1958' and projections for 1970**†

Item	'1958'	Projections for 1970			
		I Continuation of national policies‡	II EEC policy and German price level	III EEC policy and average German- French price level	IV EEC policy and French price level
		Million metric tons			
Production . . .	50.5	64.9	69.4	67.9	65.8
Consumption . . .	59.8	73.7	72.8	73.7	74.6
Balance	-9.3	-8.8	-3.4	-5.8	-8.8
Total EEC imports .	11.4	10.9	3.4	5.8	8.8

* '1958' refers to average 1957-9. EEC countries are Belgium-Luxembourg, France, Italy, the Netherlands and West Germany.

† Excludes rice.

‡ FAO projections.

|| Gross import projections assume gross exports at the same level as '1958' (2.1 million tons) under situation I and at zero under all other situations.

Learn concluded that the derived demand for grain for livestock in the EEC in 1970, based upon estimated domestic production of livestock, would vary only about 4 per cent. as between the high grain price assumption, West German level, and the low price assumption, French level. The specific projections were 43.4 million metric tons at the French price level and 41.6 million tons at the West German price level. The demand for breadgrains is estimated to be completely independent of price change, within the stipulated price range. The projected levels of EEC grain production under the same price assumption show a difference of about 5.5 per cent. Since the level of breadgrain consumption is unaffected by price the difference in overall grain consumption under the two different price assumptions is much smaller than the difference in production.

No attempt is made here to estimate the U.S. share of EEC grain imports but some comments may be made. Presumably the EEC will

continue to need about 1.5 to 2.0 million tons of quality wheat for blending with domestic wheats. Whether the United States can hold or enlarge its share of these imports will depend upon how well U.S. wheat exporters meet the needs of the market in respect of quality, price, service, &c. There is no reason to suppose that U.S. exports of feedgrains should not hold or perhaps slightly increase as a per cent. of total feedgrain imports as bilateral trade agreements covering feedgrains which have favoured other sources, particularly in Italy and West Germany, disappear.

U.S. exports of poultry meat to the EEC, chiefly to West Germany, have risen phenomenally during the past few years (see Table 1) and reached nearly 65,000 tons in 1961. This trade which was inhibited by discriminatory regulations prior to 1957 is now in jeopardy under the impact of trading regulations adopted by the EEC on 31 July 1962. Import charges toward the end of 1962 aggregated 9.7 cents per pound in West Germany above the stipulated minimum import or gate price of 33.34 cents per pound c.i.f. port of entry. These charges compare with a duty of about 4.5 cents per pound in West Germany in 1961 and no minimum import price. EEC poultry meat consumption is rising rapidly and U.S. poultry meat exports to the EEC could easily double over the next six or seven years if given access to the market. Present prospects for access on relatively liberal terms are not promising but U.S. interests will exhaust every avenue of negotiation to obtain improved terms of access to market.

U.S. rice exports to the EEC are small in absolute value but are highly important to rice producers, processors and traders. Exports to the EEC were valued at only \$2 million in 1957 but under the influence of vigorous market promotion and rising consumer income reached \$15 million in value in 1961. The question here is whether U.S. long grain rice can effectively compete in West Germany and the Benelux countries with rice of EEC origin at the higher price level to which it may be forced by EEC trading regulations. Presumably these regulations will be agreed upon and made effective some time in 1963.

Extensive trade negotiations between the United States and the EEC on agricultural products ended in March 1962. About 50 per cent. of the value of recent U.S. farm product exports to the EEC emerged from these negotiations in fairly satisfactory condition from the U.S. standpoint in respect of duties, duty bindings and other terms of entry. Included here were cotton, soybeans, tallow, hides

and skins, and some fruits and vegetables. About 10 per cent. by value represented results which were not entirely satisfactory to U.S. interests in the matter of duty level. Chief among these were tobacco, vegetable oils and some fruit products. About 40 per cent. represented items which fall or will fall under the effects of variable import levies and related regulations. The EEC agreed to further talks on the common external tariff as it affects tobacco and vegetable oils. Further discussions were also agreed to in the matter of market access for wheat, corn, grain sorghums, poultry and rice. Finally the EEC agreed to take corrective measures in respect of quality wheat for any decline in U.S. exports resulting from the application of the Common Agricultural Policy.

A very recent development is the unsuccessful ending of membership negotiations between the EEC and the United Kingdom. Only a very preliminary assessment of this situation can be made at this time (February 1963). It would appear that in the short-run U.S. agricultural export trade interests will benefit by continuance of the United Kingdom outside of the Common Agricultural Policy and common external tariff of the EEC. But surely the long-run interests of U.S. agricultural product exports would be better served if the relatively liberal trade attitude of the United Kingdom was included in the councils of the Community.

This discussion would not be complete without some attempt to assess the attitudes and interests involved in the forthcoming trade negotiations between the United States and the Common Market. In this connexion some recent statements by Dr. Hallstein, President of the EEC Commission,¹ are revealing. Dr. Hallstein pointed out that agriculture is a special case in all economies. In referring to the 40 million farm people in the Common Market, nearly 25 per cent. of total population, Dr. Hallstein remarked that the Common Agricultural Policy must have the support of these people. The issues thus are powerfully affected by political as well as economic considerations. Dr. Hallstein went on to assert the determination of the Community to assure its farm people adequate incomes and to increase the productivity of farm operators. Production and consumption must be balanced, he said, in a market oriented environment. He ruled out deficiency payments to farmers. Finally, he pointed out that agricultural production is increasing faster than consumption and

¹ At the 75th Anniversary Convocation at Nebraska Wesleyan University, 6 December 1962.

that modernization of production practices will probably aggravate the problem of surpluses. Dr. Hallstein's remarks are clearly consistent with those of other spokesmen for the Community including M. Pisani, the French Minister of Agriculture.

It does not require a great deal of perspicacity to infer from the above that the Community will be very tough in any bargaining which involves important agricultural interests. A major implication here is that the Community regards ~~third countries as residual suppliers~~. The production-consumption balance will be attained through import adjustment rather than through adjustment of domestic production. Although he was undoubtedly painting with a broad brush, Dr. Hallstein mentioned only coarse grains, high-grade wheat, beef, and vegetable oils and fats¹ as the agricultural commodities which the Community still needs to import in order to meet demand. In pointed conclusion the top EEC Commission official said that all concerned must realize this and the Community, too, when it begins to work out its price policy. U.S. exporters of rice, poultry meat, some fresh and processed fruits and vegetables, and lard can take but little comfort from this statement. Presumably cotton, hides and skins, oilseeds and oilseed products, tallow, and some fruits and vegetables will continue to move in good and probably expanding volume to the Community from the United States. Negotiations may provide for duty reductions on tobacco and vegetable oils which will provide reasonable competitive conditions for U.S. products. About 60 per cent. of U.S. exports of farm products in recent years is included here. Prospects for trade access on the other 40 per cent. do not look promising but the value of the U.S. export interest ensures that a hard fight in bargaining will be made by U.S. representatives.

¹ Presumably also oilseeds, nuts and kernels.