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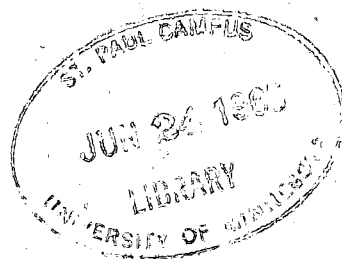
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IV

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SOME NOTES IN CONCLUSION

THIS issue brings to an end the series of Studies on EEC agricultural problems which began in this Journal in June 1963. The series has consisted of some fifteen studies and has included articles by members of the EEC Commission such as Herr Krohn and Dr. Dams, by economists and sociologists from Common Market countries like Dr. Kemmers and Professor Cépède, and by writers in non-member countries whose trade is particularly affected by EEC agricultural policy like Dr. Bastanchuri and, in this issue, Professor Sinclair.

There has been no attempt to make the coverage comprehensive. This would be manifestly impossible. On the other hand, most of the main topics have been discussed and articles have been included on all the principal commodities. There are at least two notable exceptions. The series has lacked a critical study of EEC's social policy for agriculture; and there has been no discussion on how EEC agricultural funds should be used and in particular what should be the basic criteria governing their disposition between member countries and between regions within countries. The latter is a specially important omission. In the first three months of its life the European Agricultural Guidance and Guarantee Fund has already received requests for financial aid for improvement schemes from member countries totalling nearly £50 million. This is far in excess of the resources which the Fund has at its disposal at present. It will be difficult to distinguish between the merits of these applications which are for irrigation works, new marketing centres, land reallocation and so on.

Many people would probably agree with the view that the development of EEC has created some of the most difficult problems in agricultural policy that exist today. The degree of interest shown in the series on the part of both readers of the Journal and the authors of the studies is therefore not surprising. In this connexion it is perhaps worth drawing attention to two particular problems which must have faced most of those who have so kindly written papers for this series. In the first place EEC's future, its very survival, has never been sure. Throughout the seven years of its life a feeling of uncertainty

has hung over even the short-term future of EEC as either an economic or a political entity. Most economists engaged in studies of EEC developments must have felt from time to time that it required only a whiff of grapeshot from the General to blow away most of the Brussels edifice, and their own studies with it! The article on recent developments in the dairy industry in relation to EEC provided an illustration of this point. In this paper Mr. Jorgensen had to examine several different groupings of countries and to analyse what effect each might have on the supply and demand of dairy produce.

Secondly, it has been difficult in this series to avoid being overtaken by the course of events. EEC has, at least at times, been fast-moving; too fast for short-term predictions in a Journal of this kind to be anything but very hazardous. Experience seems to show that anyone who wants to risk making predictions about the way in which EEC is likely to move is well advised either to bury them in the daily Press, or to hedge them with a string of qualifications, or to make them so long-term that they will be forgotten long before the predictions can be proved right or wrong.

At the time of writing (October 1964) these two interrelated difficulties remain as valid as ever. During the past six months the Community has made very little progress towards further union either economically or politically. During the summer doubts have been expressed on numerous occasions about the future of EEC. For instance, in his news conference of 23 July in which he was particularly critical of the development of the Franco-German treaty of co-operation, General de Gaulle had this to say about Europe:

If matters were to remain perpetually in this uncertainty there would in the long run certainly be a few doubts among the French people, a few troubles among the Germans, and a reinforced tendency by their Common Market partners to stay where they are, perhaps awaiting dispersal.

While the General was mainly discussing the political differences of the Six and in particular the problem of relationships with the United States, he mentioned as one of the specific causes of Franco-German discord the failure to implement a full common agricultural policy. Several months after this news conference the agricultural situation remains much the same.

Since 1958 EEC has made a lot of progress in putting into practice a common agricultural policy—well nigh destroying itself in the process.

Detailed regulations have been agreed for most of the main agricultural commodities. A common framework of import controls, marketing arrangements and so on has been concluded. From 1 November 1964 when the regulations governing beef, veal and dairy produce come into effect, no less than 85 per cent. of all agricultural produce in EEC will be subject to the common agricultural policy. But the seriousness of the present situation must be recognized. In a recent memorandum the EEC Commission expressed its views on the common cereal price in this forthright manner:

The fact that the Council [of Ministers] has made no decision on this means that there is no agricultural policy with serious consequences for the progress of integration and for the clarification of the Community's external relations in the Kennedy Round.

In this memorandum the Commission gave something like an ultimatum, addressed in effect to Germany stating that the very long-delayed question of the wheat price (the Mansholt plan called for a harmonized level at DM 425 per ton) would have to be decided by mid-December;¹ otherwise the Kennedy Round could not go forward. The new price level would not come into effect until the 1966-7 season, that is to say after the Federal elections.

It is still quite uncertain whether Dr. Erhard's Government will be prepared to agree, even with this delay in the harmonization and with the agreement to compensating payments to German farmers who suffer from lower incomes as a result of this price change. The determination of the Commission, which operates as the negotiating body on behalf of EEC in the GATT negotiations, to make a resolution on the wheat price a prerequisite for any progress in the Kennedy Round is perhaps only a tactical move. A formula has in fact been found whereby the negotiations could proceed without EEC having first fixed this price; and the United States has agreed to this formula.

The Community is now within measurable distance of a Customs Union for everything except agriculture. If the recently proposed acceleration of tariff reductions is agreed to, intra-EEC trade in industrial goods will soon be completely free of custom duties. Only agriculture bars the way to a customs union. France, however, has

¹ The Commission had already strongly opposed the delay even until 15 December. On 4 June 1964 the President of the Commission, Herr Hallstein, took the unusual step of writing to the Foreign Ministers of all six countries pleading strongly against this delay.

always regarded an expansion of its agricultural trade merely as a compensation for the industrial advantages which EEC has brought to Western Germany, and to a lesser extent Italy. There is certainly some scope for France to expand her agricultural trade in Europe. EEC imports of agricultural produce from non-members are still rising. These were 6 per cent. up on 1963 compared with the previous year and nearly 30 per cent. higher than in 1958 when the Community came into existence. It is difficult to believe that France will not make every possible effort to get an agreement on the wheat price in the very near future.

This is not the only sphere in which agriculture will be significant in EEC in the near future. After her election has been disposed of, Britain may well once again start making tentative overtures towards EEC. If this happens and negotiations begin over the possibility of some new relationship between Britain and EEC, all the agricultural complexities (food prices, Commonwealth preference, the disposal of funds raised in Britain through levies and so on) which bedevilled the earlier Brussels negotiations¹ will be raised again. For these and other reasons it seems most likely that agriculture will remain in the EEC news for a long time to come.

There will then be plenty of scope in EEC for the activity of the agricultural economist. It might, however, be worth drawing attention to two fields where future work may particularly be required.

Outside EEC quite a lot of research has been done on the economics of farm size, on comparisons between the relationships between inputs and outputs on farms of varying acreages, and the effects on incomes and resource use of farm consolidations.² But much less has been done in Europe perhaps because this is so obviously a delicate matter politically. Meanwhile, however, the number of people employed in agriculture has been steadily declining. In EEC there has been a fall of about 15 per cent. since 1958. At the same time the average size of farm has been increasing, but not of course in proportion to the reduction of workers because so many of those who have moved out of agriculture within EEC have been hired workers rather than farmers.

¹ For the account of these negotiations in which agriculture figured very prominently, see Miriam Camps, *Britain and the European Community 1955-1963*, Princeton and Oxford University Press, or Nora Beloff, *The General Says No*, Penguin Books, London.

² See, for example, R. A. Hoffmann and E. O. Heady, 'Production, Income and Resource Changes from Farm Consolidation', *Iowa State University Research Bulletin*, 502.

So far a declining labour force and a slightly larger average farm size has been accompanied by a sustained increase in production. Since 1958 agricultural production has been rising at an average annual rate of about nearly 3 per cent. (The experience of the United Kingdom has been fairly similar. There production has been rising and the labour force falling both at about 3 per cent. over the past twenty years.) It would be very relevant to know how much of this increase has been due to the general improvement of technical skill and scientific knowledge in agriculture and how much to the consolidation process itself and to the possibility this provides of using the talents of the best farmers and farm managers.

EEC is not the only area where studies of efficiency of scale of enterprise in farming are seriously lacking. In the Soviet Union the economic efficiency of the size of the gigantic farming units is more often assumed than subjected to tests and comparisons. Much the same could be said of East Germany where the campaign towards co-operation has resulted in a very heavy preponderance of farms of about 1,500–3,000 acres which may well be found far more suitable for arable production than for livestock. Throughout Western Europe agriculture is heavily dependent on support from governments in the form of grants, subsidies, import controls and so on. Despite the declining proportion of the total population engaged in it, agriculture still remains an important political influence. Without fairly clear indications from economists about what a particular structural policy (involving the protection of some section or some area of the agricultural industry) *costs* in comparison with a more economic one, politicians are bound to have to make decisions on agricultural policy in the dark. Though there have been several studies of developments in agricultural structure in EEC¹ the effect of possible trends on future production and resource use has received much less attention.

The other leading topic for the future in this field is perhaps so obvious that it hardly needs mentioning. EEC is the largest food-importing area in the world. As such it has a special interest in any new arrangements for influencing world trade in foodstuffs. No progress can be made at the current GATT talks without the effective co-operation of EEC negotiating through the Commission. New commodity agreements will be of vital concern to EEC.

¹ See Michael Tracy, *Agriculture in Western Europe*, Frederick A. Praeger, New York.

In discussions on commodity agreements most attention has normally been directed towards analysing the effects of these agreements on exporting countries and on the underdeveloped countries both exporters and importers. Effects on the industrially advanced food-importing countries have been less discussed. Definitions and accepted criteria are badly needed and to this extent the recent study by a group of British economists made for Political and Economic Planning¹ is particularly welcome. This provides a description of the main existing commodity agreements, and outlines the principal points of the Baumgartner plan of 1961 and the proposals of Mr. J. O. Coppock contained in his recent study of a common agricultural policy for the whole of the North Atlantic area.² The PEP study stresses that

. . . the primary objective of the international agreements . . . is neither to produce bigger surpluses in order to feed the hungry millions nor to raise the incomes of Europe's farmers, nor yet to protect the inefficient and freeze existing patterns of trade. They are intended essentially to work as far as possible *as if* competition were possible in the markets in which they operate, or, in other words, to discourage unnecessary high-cost production, wherever it may be, and to favour the efficient.

Finally, mention must be made of another work from a non-EEC source. This is Dr. Richter's 'Agricultural Protection and Trade',³ a chapter of which was published in this Journal in June 1963. The strength of this short book is that it is concerned with many of the broad issues of international agricultural policy, but at the same time describes in some detail many of the specific problems of which the broad issues are composed. The principal difficulties of agricultural trade in GATT are recorded, particularly those affecting EEC, and these difficulties are illustrated by descriptions of practical issues such as the 'chicken war' between Germany and the United States. A strong vein of liberalism runs throughout this book. The author's advice to those negotiating on behalf of his own country, the United States, is worth repeating:

We must also strive for compatibility between what we do ourselves and what we demand of others. We must not say that variable import levies are incompatible with economic neighbourliness while insisting that there is nothing wrong with variable export subsidies. We must not denounce as quantitative

¹ *Commodity Agreements and EEC Farm Policy*, PEP, London.

² John O. Coppock, *North Atlantic Policy, the Agricultural Gap*, Twentieth Century Fund, New York, 1963.

³ J. H. Richter, *Agricultural Protection and Trade. Proposals for an International Policy*, Frederick A. Praeger, New York, 1964.

restrictions the variable import levies other countries impose to protect a domestic support programme, when we for the same purpose, impose direct quantitative control over imports'

One must hope that a similar attitude of reasonableness will illuminate all future inquiries into problems connected with EEC agricultural policy.

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