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I am most grateful to Farmland for giving me an opportunity to speaking again to some old friends in your organisation and also to try to clear up a number of misunderstandings surrounding agricultural trade.

I am sure that most of you will know that the EC has operated its own farm policy - the Common Agricultural Policy or CAP - for the last 20 years or so, and I imagine that you will also appreciate its importance not only to our 3 million farmers but also to all 270 million people in our 10 Member States.

The objectives of the CAP are

- to increase productivity
- to give the farmer a fair standard of living and
- to assure the supply of sufficient food at reasonable prices.

Not all that different from the objectives of US farm policy.

Fine, people say, so long as the CAP confines itself to domestic, internal policies but not so good, when we export our problems and our surpluses by means of unfair subsidies.

US and European agriculture both face similar problems - that of producing larger quantities than markets can absorb. Two thirds of US wheat, for example, is surplus to requirements and has to find outlets where it can on world markets. This degree of dependence on an uncertain world market has exposed US agriculture to the full effects of world recession, of debt problems, particularly in developing countries, of trade embargoes, and to the consequences of a strong dollar which has had precisely the same effect as an export tax on US farm sales abroad. Any effect that European farm exports may have had on US exports has been relatively minor.

It is true that when our internal market prices are higher than those on the world market, export refunds are sometimes used to compensate for the difference. However, this is in no way unfair, as I often claimed, since international trading rules, to which both the US and EC are signatories, clearly permit the use of export subsidies provided they are not used to gain more than an equitable share of the market.

Let me give you an example - wheat and wheat flour. Our share of the world market increased over the last decade from 10 % to 14 %. The US share from 34 % to 46 %. I do not think that any reasonable person would conclude from this that we had acted unfairly - or against the rules.

As to the popular observation that we have changed from being net importers to net exporters of a number of agricultural products, I would just like to make two points. First, that the technical advances fostered by the CAP have led to increased yields - EC wheat yields are, in fact, roughly double those of the US - and have enabled us to go beyond self sufficiency and Second, that whilst we may export more than in the past, we remain the US farmers best customer to the extent that last year we ran a deficit with you on our agricultural trade of more than 6 billion \$ - four times the deficit recorded only ten years before.

Another criticism I frequently hear is that the EC, unlike the US, has made no efforts to adjust itself to changed market conditions. That we continue to give vast sums of money to our farmers to expand their production which is then off-loaded onto world markets. Let us examine the facts.

First, as a result of the support we give our farmers, our wheat production, for example, has increased by 29 % over the last 10 years - slightly more than the world average of 27 %. The increase here has been 73 % or 2 1/2 times the world average. I say this in no accusatory sense but in an attempt to set the record straight.

Second, our total farm spending, currently at around 13.5 billion \$, has represented less than one half of one per cent of the Community's GDP over the last five years.

Third, that we undertook to freeze our share of the world wheat and flour market in 1982/83 at the previous years level and to increase our carry-over stocks by over 70 %. We have held to this

To take another example - our sugar beet growers, who bear the entire cost of exporting any surplus themselves, have reduced their production by 20 % over the last two years.

As to the suggestion that we should embark on a European PIK programme, I would just make the following observations

- we do not have enough agricultural land in Europe;
- our average farm size is only 45 acres,
- the EC's 29 % increase in wheat production has taken place on an acreage that has remained virtually unchanged for 10 years or more whereas the US's much more dramatic growth of over 70 % has been achieved on a greatly expanded surface. Thus, a PIK type programme in Europe would mean reducing acreages which obtained ten years ago.

- a programme designed not to take land out of production but to encourage diversion into products which we are short of - vegetable protein, for example, could lead to demands for protection against soya imports.

As I said earlier, we are both faced with markets incapable of absorbing our production. In response to this situation and to the fact that our cash is running out - we are forbidden to run deficits in the EC - the Commission has recently proposed a tough and wide ranging package of measures affecting our farmers.

These include:

- production quotas - with severe penalties for exceeding them,
- a restrictive price policy with reduced support buying,
- prices to be fixed for more than one year for some products and an accelerated move towards the prices of our competitors.

This brings me to the external aspects of the package. Since our own farmers are being asked to make considerable sacrifices and to limit their production, the Commission feels that it is not unreasonable to review the treatment of competing imports provided that this is done strictly in accordance with international trading rules.

The EC cannot limit its own grain production without stabilising imports of grain substitutes. This is why we are proposing not to ban imports of corn gluten feed or to reduce them but to stabilise them after full discussion with our major supplier.

Lastly, the proposal to tax all oils and fats, apart from butter, consumed in Europe, which has been presented as an external measure designed to impair the duty free access to the Community which soya beans and other oil seeds now enjoy. This is just not so.

First, the level of tax proposed (just under 3 cents per lb.) combined with a reduction in butter subsidies is unlikely to alter consumption patterns of oil or margarine.

Second, the vast bulk of US soya imported into Europe is for animal feed and not for oil production.

Third, it is no part of this proposal to subject imports of soya bean, soya meal or any other oil seed to any tax, restriction or levy.

Thus, through the proposals I have briefly described which are not an attempt to shuffle our problems off on to others but a serious and honest attempt to adapt our farm policy is enabling them to meet the changed conditions of the mid 80's, the CAP will be allowed to continue to ensure food supply and price stability, to give our farmers a reasonable return and yet permit us to play a positive and responsible role in world trade.