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A D D R E S S

by

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at the

AMERICAN FARM BUREAU CONVENTION

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Mr. President, Ladies and Gentlemen,

I should like to thank you for the flattering invitation to address your annual congress. I do not, however, wish to speak to you primarily as Vice-President of the European Economic Community, but rather as a farmer among farmers. I shall do so in your own language, although I feel about English rather as I do about my wife: I love her, but I cannot master her ....

We are grateful to note the goodwill with which the United States, our great partner, is following the progress of the union by the six European countries of the European Economic Community. 170 million people, hitherto split in 6 national economies, are in the process of creating one large market. We are convinced that this implies more than a mere adding up of the existing economies. It means the creation of a new economic framework with possibilities for further expansion, and, most important, leads us towards a political unification of Europe.

In politics, gratitude is not a matter of course. When I speak to you with a certain pride of the vitality and courage of the countries in our Community, I remember the initial impulse which your country gave to Europe when it lay devastated and torn after the war. Your help opened up new possibilities to us. In using it, and thus becoming your full partner in dealing with the problems of the world to-day, we are probably showing in the best way our appreciation of your help.

We are aware that neither you nor we are developing in a world free of internal or external cares. But we believe that two strong partners can offer each other more than two weak ones. It is through our economic rehabilitation, through the further development of our capacity, that we will be able to solve common problems jointly and to our mutual advantage.

This is true not only of general economic and political problems but for specific questions such as agriculture, the subject with which we wish to deal here today. For the common market is to apply to agriculture as well as to the rest of the economy of the Community's 170 million inhabitants.

I have a twofold purpose in what I shall be saying to you today:

First, I should like to gain your understanding for the methods we have chosen to achieve a common market in agriculture.

Second, I should like to demonstrate that the methods which are contained in our common agricultural policy hold out to the United States greater opportunities in this world's largest agricultural import market.

In discussing our policy, let me say that we cannot draft such a program in disregard of historically developed realities. Each of our six countries has had and still has a comprehensive system of government control and support in agriculture. These six are not the only ones. All industrial countries, including your own, have such systems. You also know by experience how difficult it is to make basic and extensive changes in a nation's agricultural program.

"The agricultural programs of the six countries differ vastly. It is not possible simply to eliminate them and leave agriculture in the Common Market to the free play of the market forces. If European farmers, who for many decades have operated under the shelter of government supports, were suddenly deprived of these supports, it would lead to widespread and serious distress.

Let me give you a few facts about agriculture in our Community. They will show you that you cannot judge our agricultural situation by using your own as a measure.

In the Common Market there are some nine million farms. Of those, 5.5 million are less than 12 acres. You have about 5 million farms. The area under cultivation in the United States is 10 times as great as in the Common Market (400 million acres against 40 million acres).

Yet you employ only half our number of almost 15 million agricultural workers. We employ 1 worker per 11 acres, over here the ratio is 1 to 130 acres.

In our six countries the size of about half of the farms does not exceed 25 acres of land. In Germany, Belgium and Italy 70 %, 80 % and 85 % respectively, of all farms do not have more than 25 acres.

This difference in scope is further accentuated by widespread fragmentation of holdings. On our limited area, we must strive for greater productivity per acre, whereas you have been able to concentrate primarily on productivity per man.

Please bear these differences in mind when you look at what we are trying to accomplish in Europe with our single common agriculture policy.

Later, I hope to analyze our agriculture in some detail. Now, I would like to make a general observation about the figures I have just quoted. We regard the small, efficient family farm as an essential factor in the structure of our society. After all, in the Common Market a population almost equal to that of America lives on one eighth of the area. In the future, our agriculture will have to undergo structural changes to become more efficient.

Let me fill in the broad outline I have so far given you of agriculture in Europe.

Before the Common Market came into being, the six countries had their six separate systems of agricultural policy. Some of our countries concentrated on crop production, others on livestock. In pursuing these policies they have developed different price levels. In 1958, the German and Italian price for wheat was some 45 % above the French price. The German price of barley was more than 60 % higher than the French price.

This illustrates the difficulties standing in the way of the creation of a uniform price level - an essential condition for an agricultural common market. This price level will influence the trend of foreign production and the structural changes. It is the key factor in our policy.

Now I come to the second major point of our discussion: namely the methods by which we hope to achieve a common agricultural policy which will be aimed at greater liberalization of trade with our partners.

Within our market, agricultural policy will be expected to meet the following requirements:

- a. Agriculture must be an integrated part of the economy as a whole and must be recognized as an essential factor in the life of our society;
- b. Improvement of agricultural structures must assure to Europe's farmers and investors incomes comparable to those in other branches of the economy;
- c. Production and demand must be balanced with due regard to imports and exports.

Let me add that this will be easier to achieve in an expanding economy made possible by the existence of the Common Market.

As progress is made in our agricultural economy, we will find more and more that we cannot resolve our agricultural problems in isolation from our industry. General economic policy and agricultural policy must go forward hand in hand. This is so especially in so far as it concerns regional development.

For instance, changing and improving rural conditions means bringing industry to the land rather than letting people migrate to the big industrial centers. However, it means that there must be considerable improvements in infrastructure, particularly transport conditions and in education. Too it means that smaller industrial enterprises and services must be encouraged to expand and improve. In our situation such a structural policy must be directed towards intensive farming of relatively small holdings in densely populated areas. Where poor soil conditions or unfavorable climate contribute to lack of productivity, it will be economical to retire land from crop production.

It requires time to carry out this policy of improving the structure of agriculture and the regional economic policy, which it presupposes. Meanwhile, marketing policy must provide for the actual needs. Structural policy, marketing policy, and commercial policy are interdependent. It will not always be possible to draw a clear distinction between these various measures as they affect individual enterprises. Temporary adjustment aids seem to me to be justified in these circumstances.

The purpose of marketing policy is to merge the agricultural markets of the Member States into one common market. Therefore, a common agricultural price level must be established. This common

price level would allow for regional differences in prices between main producer and main consumer areas based on free trade in agricultural products. The criteria upon which European Economic Community price levels will be based have not yet been determined. So far, the Commission has only proposed the first steps towards an equalization of prices. On this, the Council of Ministers must now take a decision.

All governments historically have been guided in their price policy by a desire to raise farm incomes. As I have already said, price policy also must ensure a balance between production and demand, and that it must do this without prejudice to imports and exports. Therefore, it will be one of the most important tasks in European agricultural policy to manage prices so that the production of unsaleable surpluses is prevented.

A common policy for trade in agriculture products must necessarily be a part of a common agricultural policy. It would be impossible to establish a common agricultural market if control of imports and exports were left to the member countries. Fortunately this is not the case. The commitments entered into by the Community countries in international economic organizations such as GATT must apply to the Community's external trade in agricultural products. The aim of these organizations, to contribute to the expansion of world trade, is equally valid for the agricultural trade of our Community. As a highly industrial area, the Community must maintain and increase opportunities for industrial exports. If it is to do so, it will be required to maintain liberal trade policies in industrial and agricultural products.

However, at this early stage of our developing common market, it is not possible to dispense with all protection for European agriculture. Not even agricultural exporting countries enjoying the most favorable production conditions feel capable of doing so. Any sudden abandonment of the relatively high level of protection to which European agriculture has become accustomed in past decades would be an intolerable economic blow. First, it will be necessary to improve the competitiveness of agriculture by remedying the many grave structural defects which I have mentioned. It will be necessary, too, to improve conditions which govern competition in the world market. This is what I had in mind when two years ago I suggested drawing up a code of good behaviour for competition on the broadest possible international level. The Community is prepared to take an active share in all international efforts of this sort, as for instance the recent endeavors undertaken by GATT.

We in the Community have done more than merely establish a series of policy principles on behalf of the economic interests of the Community and its farm trade partners. The Commission has also tried to put these principles into practice. I should now like to illustrate this for a number of agricultural products of particular interest to United States exporters.

In 1959, agricultural exports of the United States to the countries of the Community amounted to roughly \$ 900 million. Of this total the following products covered about 90 %;

1) Cotton	\$ 260 million
2) Oilseeds, fats and oils and oilcake & meal	" 170 "
3) Tobacco	" 80 "
4) Fruit, tropical and sub-tropical fruit, vegetables including juices	" 70 "
5) Grain	" 230 "
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TOTAL	\$ 810 million
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In comparison, total agricultural exports of the Community to the United States in 1959 were \$ 221 million.



For cotton, neither quota restrictions nor an import duty are planned. At the customs negotiations at present going on in GATT, the Community has declared itself ready to be bound by a customs rate of 0 %. Thus, we offer the United States a completely free and unprotected market for cotton which, as a result of growing prosperity within the Community, will hold out increasing sales possibilities.

For oilseeds, the Community is bound by the Treaty to develop a common program. The Commission will shortly start work on this matter, so that nothing final can be said on this score at the moment. Since the Commission has, however, already advocated that no quotas be applied for the most important European agricultural products, we can expect that import quotas also will be dispensed with for oilseeds. The duty on oilseeds is fixed at 0 % in the common external tariff, and in GATT negotiations the Community has declared itself ready to be bound by this rate.

The same no tariff, no quota policy applies to oilcake and meal. Moreover, we can expect a rise in the imports of oilcake, since the consumption of animal products, for which oilcake serves as a food base, is constantly growing.

As regards imported animal fats, most of the tallow and large quantities of lard are used for industrial purposes. For industrial purposes, the customs rates are very low, 4 % for lard and 2 % for tallow. Again, the Community has offered to be bound by these rates in GATT.

For tobacco the Community is required under the Treaty to work out a common program in the same way as for oilseeds. The Commission has not yet completed its work on this matter; it is, however, certain that it will not advocate the application of quantitative import restrictions. The customs rate originally set in our Treaty was 30 %

ad valorem. Subsequently the Council of Ministers amended this rate to the effect that the duty must not amount to less than \$ 29 or to more than \$ 42 per 100 Kg. (200 lbs.) The highest charge on tobacco is now the same as the present German duty rate. This new rate schedule is more advantageous to the United States than the rate set in the Treaty. For a large part of its tobacco exports the United States will pay the \$ 42 maximum rather than the 30 % ad valorem rate. The Community has already offered a proposed duty schedule in GATT. You will probably want to negotiate for reductions in this schedule, and we shall be ready to do so.

In the same way as for the products I have mentioned so far, the Commission has, as a matter of principle, dispensed with import quotas for fruit and vegetables, including juices. It has merely proposed that there should be a normal customs duty on these imports, which, in general, will amount to the arithmetical average of the duties charged by the individual Member States.

The internal program for food and vegetables provides for quality and packaging standards to improve sales and stabilize the market. So that these efforts to improve the market situation shall not be upset, the Commission has reserved the right to establish the equivalent quality standard for imports.

The constant increase in the consumption of fruit, and especially of citrus fruit, in the Community should in the future also offer the United States rising sales opportunities.

The situation for grain is more difficult than for the products I have mentioned so far. In the past ten years scientific and technical progress in all the Member States of the Common Market has brought about considerable increases in production. Looking at quantities only and disregarding quality, we find that the degree of self-sufficiency in wheat has risen from just under 80 % to over 92 %. Expressed in absolute figures, production has gone from roughly 19 million tons to almost 26 million tons. At the same time there has been a marked

decline in annual consumption per head from 196 lbs. to 178 lbs. The imports of the Member States have dropped from 6 million to 4.4 million tons, whereas their exports have risen from just under 1.1 million tons to almost 2.5 million tons. This is the trend which has developed in the member countries of the Community over the past ten years so far as wheat for human consumption is concerned. It is not likely that the common agricultural policy will be able to reverse it for soft wheat. The foodstuffs industry and bread production will, however, continue to require imports of durum hard wheat and other high quality wheats in order to satisfy certain consumer habits. The Commission has proposed to continue the levying of variable compensatory fees on wheat that we find now in Germany and the Netherlands and in the form of periodically adjusted levies in Belgium and in Luxembourg. In France and Italy the state trading monopolies skim off equivalent differences; under our proposals, the variable fees will, however, replace compulsory mixing regulations. There will be no state trading and under normal conditions no quota control. This more liberal commercial and agricultural policy will make it possible to import larger quantities of durum hard and other high quality wheat.

As regards coarse grain, the Community has at present an annual import requirement of 6.5 million tons. Under the given natural economic conditions the greater part of European agriculture will concentrate on animal production, and as regards animal products it will find a constantly growing demand. In the past eight years the annual consumption of meat per head in the Community has risen from 34 kg to 46 kg (68 lbs. to 92 lbs.). That means by more than 35 %. Estimates made by the experts entitle us to expect a further 25 % increase in the next ten years or a consumption of about 52 kg (104 lbs.) by 1965, and about 57 kg (114 lbs.) in 1970.

This would mean a further annual requirement of coarse grain in the neighborhood of 6 million tons. In this context we must remember that, as in the case of wheat, technological progress in Europe will tend further to increase coarse grain yields.

I feel, however, confident in saying that, on the basis of the estimated rise in meat consumption import needs for coarse grain will continue at their present level. We can safely assume that in the long run the consumption of meat will increase much further still.

In the United States, where incomes are virtually twice as high as in the European Economic Community, meat consumption has already reached 86 kg (172 lbs.) per head.

Accelerated economic expansion, which is already becoming evident as the Common Market is being built up, will in the future lead to a further and more rapid increase in personal incomes and therefore necessarily bring the standard of living in the Community closer to that of the United States. This will also mean more meat and more feedgrain consumption.

Economic trends in our Community permit us to expect that by 1970 we will, unless some changes occur, have reached the present American standard of income. Thus, we should enjoy the benefits of this expansion in good partnership. This depends, of course, on how much of an opportunity we have to export our industrial and agricultural products to third countries. If this opportunity is good, larger imports of coarse grains can be expected for the future.

In our grain program, we will set target prices to serve as guides for producers, the trade and consumers. Support purchases will, however, be made only at prices somewhat below the target prices. They will be made in the market place.

In principle, no quantitative import restrictions are proposed and imports will be licenced automatically. Only in certain emergency cases when imports increase to such an extent or occur on such a scale as to threaten to cause serious injury to Community producers, would imports be temporarily suspended.

The Commission reserves the right to decide when these emergency measures must be used. This shows that recourse to these measures is regarded as a great step of political importance.

Customs duties are not to be applied to grain imports. Instead, there is to be a sliding scale of compensatory levies to make up for the difference between prices on the world market and the target prices of the Community. These compensatory levies, with which the Commission has proposed to replace customs duties for some other agricultural products as well, namely sugar and dairy produce, have given rise to lengthy discussion within the Community and on the international level. Certain circles, especially in agriculture, believe that these levies will not provide adequate protection. Others, who are interested in export to the Community, sometimes feel that they are a protectionist instrument. Let me stress that the compensatory levies are in themselves neither more protectionist nor more liberal than any other measures as fixed tariffs, quotas, state trading or mixing regulations. The protective effect of any of these measures will depend on the future common price level for grains. If the future European price is fixed close to the world market price, the levies will be low and their protective effect will be small. If, however, a very high price level were set in the Common Market, then the compensatory levies would have to be high and their protectionist effect would rise proportionately. We need only think of the areas of arable land that France could put under cultivation if it were tempted to do so by unduly high support prices. The common price level will therefore be of decisive importance. I have already explained to you in detail the principles which the Commission has laid down in this regard. It is considered one of the most important functions of the future price level to establish a balance between production and forthcoming demand with due regard to imports and exports.

The system of compensatory levies on imports will not prevent the Community from granting adequate agricultural concessions to its trading partners in GATT. In this connection, let me point out

that we will very probably meet our obligation to grant GATT concessions in this sector by making the offers of which I have spoken to you, offers which affect the most important agricultural commodities exported from America. Exact calculations are being worked out at the moment. If it should be found that the concessions offered hitherto are not yet sufficient, the Commission will then have to consider in what way suitable solutions can be found in the grain sector. The Council of Ministers will, of course, have to make the decision before negotiations can be undertaken by the Commission.

I think I can summarize as follows: despite all internal problems which have to be faced by agriculture in Europe as in America, the Commission has, I believe, gone a long way in its agricultural policy to meet the interests of Europe's external trade partners.

The Commission intends to conduct its price policy in such a manner as not to impede the development of external trade; it intends to improve the competitiveness of our agriculture, and it intends to co-operate in creating fair conditions of competition on the world market.

In order to attain these objectives we hope that the co-operation of our trading partners throughout the free world will be as close and understanding as possible.

Mr. President, this brings me back to my starting point. Your country and your people enabled us to rise again after the devastation of the war. This has made it possible for us to embark on what is perhaps the most unique and creative political endeavour in Europe during this century: the effort that is going on now in the European Community to establish the unification of Europe.

When we look beyond day-to-day difficulties - including those of agricultural policy - it cannot be the aim of any sensible American or European policy to abandon the established principles of sharing responsibility in the Atlantic Community.

The difficulties which flow from our Community's common policy can be overcome. The decisive question is whether we will help each

other to benefit mutually from the dynamic and expansive development of which our economies are capable.

We have the more reason to do so because we have common tasks in the world which we can only fulfil by common effort. If we were to shirk these tasks we would deny the principles of our way of life: Christianity and Freedom.

As I see it, a twofold task awaits us: first, to help those in the underdeveloped countries who can help themselves only with our assistance.

Secondly, to make the free world safe from the still present danger that all those things which make life worth living for us may be destroyed.

If I have succeeded in demonstrating to you the seriousness of these European aims, I will have achieved my purpose. Let me add that I am most grateful for the hospitality you have extended to me.

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