

Address by Ian Grant,
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Ladies and Gentlemen,

It is a great pleasure for me to be back in the U.S.A., and for the opportunity to speak to you on the subject of agriculture - agriculture which on both sides of the Atlantic finds itself at something of a watershed.

You might well ask why I, a farmer, and the President of the N.F.U. of Scotland, a country which would in size fit into a corner of some of your states, should have the temerity to address you. But let me explain that my national presidency means that I am a member of the Praesidium of C.O.P.A., the organisation which combines all farm unions in the E.E.C. and which negotiates directly with the E.E.C. Commission on agricultural policy in Europe. In addition, within C.O.P.A., I am the Chairman of the Cereals Committee.

On a visit to the U.S.A. two weeks ago as one of an E.E.C. delegation which met with your National Export Commission and with representatives of your Chamber of Commerce, I was struck by the broad similarity of the problems being faced by farmers here in the U.S.A. and at home in Europe - a lowering of net farm income in real terms in recent years and increasing indebtedness in our agriculture. But the cause of that reduced farm income in the U.S.A. perhaps has more to do with a declining world trade situation than anything else, and I would therefore like to spend a moment analysing world trade as we see it today.

It is a powerful fact that the U.S. and the E.E.C. together account for about one-third of total world trade, and in agricultural products the U.S. is the world's largest exporter - in 1984 creating a surplus of around \$20 billion. The E.E.C., on the other hand, is the world's largest

deficit of some \$20 billion, and over the years the E.E.C. has been the best customer for the U.S.A. farmer. Even last year, with your strong dollar discouraging your exports, we still bought \$6.7 billion worth of U.S. farm products and ran a farm trade deficit with the U.S.A. of some \$3.6 billion. Not insignificant customers then, are we?

With around 40% of your production destined for sale outwith your country, U.S. agriculture looks upon its exports as its life blood - indeed it seems to us at times that the U.S. feels it has a God given right to export, to the exclusion of everyone else - but clearly if that life blood is slowing or being cut off, then America reacts. Where I have to hold my hand up is when that reaction seems to be solely levelled at me and my fellow E.E.C. farmers. Look at the facts. Some 75% of all U.S. farm exports are in products where competition from the E.E.C. is largely non-existent - we cannot produce them - or at best indirect, as is the case with soya, cotton, nuts or corn. Therefore the blame for reduced tonnages for the bulk of your range of exports cannot be attributed to the E.E.C.

In wheat the continuous accusation is that we have stolen your markets. However, International Wheat Council figures show that whilst the U.S. share of the world wheat market fell from 49% in 1981/82 to 37% in 1984/85, during the same period the E.E.C.'s share only moved marginally from 14% to 16%. I can therefore humbly admit to at most 2% of your wheat problem. But what of the other 10%? I suggest therefore that you might turn some attention to what has been happening across the border in Canada, in Australia, or perhaps most significantly in Argentina.

Incidentally, when we look at dairy products we see the other side of the coin, where up to 1982 you rarely had as much as 15% of the world market, but where - dare I say it - by subsidisation, you now account for more than 25% share of the market - largely you will be glad to know at the expense of the E.E.C.!

But perhaps I am becoming contentious That is most certainly not my purpose today.

Surely today's problems /...

Surely today's problems of U.S. world trade, ladies and gentlemen, go far further than what the E.E.C. is or is not doing. I would contend that the downturn has largely been as a result of a strong dollar, lack of cash in client countries, especially developing countries, the U.S. embargo on grain shipments to the U.S.S.R. following Afghanistan, and the level of U.S. support prices.

On support prices in general, on past visits to your country in 1983, I was continuously questioned regarding our policy of subsidisation, especially of exports, the central statement being that subsidisation did not take place in the U.S.A., and how did E.E.C. consumers tolerate our policy?

Two weeks ago I found a completely different and refreshing attitude from my American friends. We all agreed that on both sides of the Atlantic we apply subsidisation, in different ways, under different budgetary titles, but that the total cost of farm support per annum is now very similar in the E.E.C. and the U.S.A.

As far as E.E.C. consumers are concerned, they spend 18% of their disposable income on food, compared with 16% by the U.S. citizen. So it seems that the supported and generally higher market prices for agricultural products in the E.E.C. do not therefore result in a disproportionate burden for the E.E.C. consumer compared with their more wealthy American counterparts.

Let us also note that our estimated support in 1985 of \$14.7 billion to cover the E.E.C. price support and export refund programmes, against your estimated \$18 billion

is being spread over a vastly different structure of agriculture in the U.S.A. and the E.E.C. We have a working agricultural population of over 8 million people compared to the U.S. where the figure is just over 2 million. So, four times as many people involved - and that on an agricultural area which is all utilised, has reached its limit, and which is four times smaller than the agricultural acreage of the U.S.A.

(E.E.C. 102 million ha; U.S.A. 430 million ha - and still capable of expansion.) Our farms by U.S. standards are small or medium - the average European farm is only one-tenth the size of the average U.S. farm - and our farming is intensive.

But despite the differences in structure, the differences in support systems, as I said earlier, farmers on both sides of the Atlantic are sharing common problems, common pressures for change. The situation of falling incomes and land values, coupled with rising debt, is not unique to America. I, too, as an E.E.C. farmer have seen my real income stagnate over recent years, and we are also seeing pressure on land prices. And if declining land values continue, in parallel with increased borrowing, then what I refer to as the domino effect will quicken. In other words, as the value of land declines, and borrowings rise, more and more farmers are drawn into the category "unviable" and the process fuels itself. We had clear experience of this situation in Denmark a few years ago.

And all the while as the decline takes place we see the pressure spreading out - farmers buy less machinery, cut back on fertilisers, contemplate very carefully before buying any input for their farms. In turn, the suppliers sharpen their deals to stay in business, cutting each other's throats in so doing, and quite frequently spilling much blood themselves in the process.

And in the more close-knit communities of much of Europe, the pressure on incomes may be so severe that if farmers are forced to quit, nobody is there to replace them, and the future viability of not just the farms but of whole rural communities, is called into doubt.

The pressures for change brought about by our common problems of surplus production, stagnating markets and budgetary restraint have resulted in much political thinking, rhetoric and debate, and in the parallel discussions for a new Farm Bill here, and the publication recently by the E.E.C. Commission of a discussion document called the "green book" - some farmers would say it should have been entitled the "black book".

But there is a difference /...

But there is a difference between the two debates. As I understand it from my most recent discussions, the Farm Bill, if approved in its current form, would mean a policy of being as competitive as possible on the world market, i.e. pushing down the export price, and at the same time injecting massive sums of money by way of deficiency payments and loan rates to give farmers a reasonable income. And be clear, American farmers I recently spoke to begin to see that what is being contemplated will mean direct support to farmers at a higher rate per tonne or per acre than we receive in the E.E.C. - and we are now facing cuts. It is not for me to enter the debate on the U.S. Farm Bill - I believe there are already no shortages of view on the subject - may I simply say that I await the final outcome with great interest.

But I said there was a difference between where we are in Europe and where you are in the U.S.A. in terms of policy formulation. That difference is that in Europe we are already embarked on the road of change, and it is a rough road.

For milk, a restrictive production quota was introduced throughout the E.E.C. last year, at varying levels of cut for each country, and as a result overall production has fallen by 5%. Further cuts in quota, either across the board or by means of a scheme to give financial incentive to those who might be prepared to give up dairying, are on the cards, but for sure, milk production is being brought under control.

The green book offers suggestions as to how the problems in other sectors, but chiefly cereals, might be tackled, and I would like to spend a moment on that subject.

Currently our cereal sector is supported by an intervention system whereby a guaranteed price is offered, but contrary to widespread American belief, this is not open to all production, since tight quality standard criteria are set for acceptance into intervention. Equally, delays in payment for grain accepted, of up to 140 days, have been enforced, which

have of course cut the /...

have of course cut the effective price received. Also currently in force is a guarantee threshold system whereby if production exceeds certain pre-determined levels in any year, then corresponding cuts in the support price follow the next year, and this price reduction or restraint measure has applied for three years.

But following on last year's record harvest, the Commission believes more drastic surgery is required, and we are presently debating a range of options with them.

The five most interesting are:-

Deficiency payments - but our response to that notion is that we believe they would be even more costly than current support and administratively difficult.

Marketing Boards - here it seems the objective must be to trade, and to manage the market, and we have ample good trading companies, and we have a commission to manage.

Set-aside programmes - in the much smaller farm structure situation in Europe than the U.S., we feel taxpayers and consumers would not view kindly the sight of vast acreages out of production, in the knowledge that they were paying for it, and also bearing in mind that we are still net importers of food.

Quotas - we consider these to be inappropriate for several reasons. Administration would be a nightmare - we have 3.5 million cereals producers in the E.E.C., 375,000 alone in Greece. Secondly, if we have to face price pressure, as seems inevitable given the world situation, then the worst possible scenario for our farmers is having production restricted by quota and then having the price for that in-quota production eroded. But perhaps the most appealing argument against quotas for cereals in Europe is the question of what producers would do with the land so released from grain production. More beef, more sheep? In short, if we had quotas for cereals, then we would require quotas for everything, down to silkworms.

So that leaves us with the last option, which seems to be finding the most favour in Europe at present, and that is some form of producer co-responsibility tax which would be used for three specific purposes. Firstly, to promote alternative crops or alternative use of the land, and here I do not simply mean increasing protein production, but also woodland, or even leisure use of land. With 11% of our population in Europe unemployed, we may need more golf courses and the like. Secondly, we would wish to promote alternative uses for cereals, especially in ethanol production and bio-degradable plastics. And lastly, levy monies might be used to assist in maintaining our share of the export market.

You may well say, sure, that might help your budget, but what of productivity? I would contend that if we can maximise alternative use and alternative crop, and at the same time maximise our internal uptake of grains for both human and animal use, then we do have the hope of better balancing the market.

But our thinking in cereals also takes account of two other aspects of the Commission's green book. Firstly, agriculture's role in conservation and the environment, and the recognition that in those areas, as in forestry policy, ways should be found to encourage and compensate farmers in certain areas to adopt these practices. And secondly, the need to develop an E.E.C. policy on direct income aids in several ways, including early retirement pensions.

Before I close I would like to come back to the broader issue of world trade. One disturbing feeling that I detect both here and in the E.E.C. is the increasing drive for protectionism. It is of course the inevitable symptom of an agricultural industry, or any industry for that matter, which finds itself squeezed. But is it the answer? I think not.

We in the U.S.A. and the E.E.C., as I have indicated, share common problems. But the solution is surely not to stab at each other continuously as we seem to do at present. There is only one winner in that contest and that is the other countries who are sitting on the sidelines watching us with delight.

And speaking of other countries, /...

And speaking of other countries, let us never forget the implications for world trade of the ever changing situation in developing countries. For example, who would have believed even two or three years ago that China and India could move so rapidly from being net importers of grain to their current position where they are poised to become exporters.

I have been heartened in my recent meetings with your fellow countrymen by a common thread which seems to be strengthening. Firstly, that whilst G.A.T.T. is most assuredly not perfect, we do need multinational trade negotiations, so let us unite with the common purpose of creating a G.A.T.T. that is fairer, more clearly defined, and has proper teeth. I say that in the knowledge that neither of us will necessarily get all that we want from it, but if we do achieve some meaningful ground rules, that will be infinitely more attractive than the alternative of a free-for-all. And secondly, there again seems a common view that aside from multinational agreements, let us keep up at all levels bilateral talks, bilateral agreements.

Surely that is the very least that can be expected from the two greatest agricultural super-powers. We together have a massive responsibility for the future stability of food supplies. Ladies and gentlemen, let us not walk away from that responsibility, however daunting or difficult it may appear.