

# EUROPEAN COMMUNITY

## BACKGROUND INFORMATION

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350

New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

BACKGROUND NOTE/AGRICULTURE

No. 1/1976

January 29, 1976

### END IN SIGHT TO EUROPEAN COMMUNITY'S POTATO PANIC

European Community farmers will be planting more potatoes this year, a sign that the current shortage, which has driven prices as high as \$0.30 a pound, may not last.

This planting forecast was made in the EC Commission's annual report on agriculture, reviewing market trends in 1975 and making forecasts.

Wine, sugar, and milk will still be over-produced, according to the Commission. Pork supplies will increase and prices will fall. The egg market will stabilize, but poultry stocks may have to grow to keep prices up. Beef and veal production will drop over the next few years, but consumption will expand so that the Community may have to import to fill demand.

After a drop in 1974 and a slight improvement in 1975, agricultural earnings will rise this year by 30-to-35 per cent in Ireland, 15 per cent on most Dutch farms, 8.1 per cent in Luxembourg, 7-to-8 per cent in Germany, 6-to-7 per cent in Belgium, 15 per cent in Italy, and 10 per cent in Denmark. In France, earnings will decline by nearly 2 per cent. No figures are available on the United Kingdom.

#### The Farming Picture in 1975

Farm production continued to increase in 1975, despite the continued drop in the number of farms and farm workers. Since 1967, the six founding members' agricultural productivity has risen by 7.6 per cent a year, a figure well above the 5.1 per cent rate of increase in gross domestic product for each worker.

The number of farmers and farmworkers in the "Nine" slid from 9.4 million in 1973 to 9.1 million in 1974, 8.9 per cent of the labor force, compared with about 4 per cent in the United States. Since 1972, however, the pace of farm-leaving has slowed, a development the Commission attributed to improvement of agricultural profitability and the poor job outlook elsewhere due to the recession.

Earnings, however, still vary considerably between types of farm and regions of the Community. In 1973/74, for instance, per capita earnings (labor unit per year) reached \$9,892 on mixed farms and \$9,771 on pig farms, nearly twice the earnings on beef farms (\$4,200 to \$5,066).

The Nine's farmland under cultivation fell from 93.7 million hectares (2.47 acres) in 1973 to 93.4 million hectares in 1975, and the number of farms from 5.7 million in 1973 to 5.2 million in 1974. The Commission also reported a trend towards owner-farming and away from share cropping, and a slight decrease in rented farms.

Despite improvements in the land-to-man ratio, the Community's farming structure is still primitive when compared to the United States. In the Community, one person farms 10 hectares, while one person farms 136 hectares in the United States.

### Consumer Prices

With few exceptions, consumer prices usually rise faster than producer prices. In 1974, prices of food and drink continued to rise, while producer prices slumped.

Consumers again benefited from the common agricultural policy in the 1974/75 marketing year. Prices for rice, sugar, oilseeds, and olive oil were below world prices: sugar by 59 per cent, oilseeds by 25 per cent, rice by 19 per cent, and olive oil by 5 per cent.

### Cost of the Common Agricultural Policy

Expenditure by the European Agricultural Guidance and Guarantee Fund (EAGGF), the Community's price support and farm reform financing body, amounted to \$5.9 billion. The 1976 budget allocates \$6.6 billion to the EAGGF.

EAGGF spending in 1975 represented 0.4 per cent of the Community's gross domestic product, 2.5 per cent of all spending on food, 5.6 per cent of the Community's agricultural production, and 34 per cent of all public spending on agriculture.