

Newsletter on the Common Agricultural Policy

No. 5

May 1971

COMPARISON OF AGRICULTURAL SUPPORT SYSTEMS IN THE UNITED STATES AND THE COMMUNITY

	<u>Page</u>
I. Methods used	1
II. Brief survey of the incidence of public aid on farm income in the United States	2
III. Brief survey of the incidence of support on farm income in the EEC	7
IV. Interpretation of findings	11
1. General	11
2. Product-by-product comparison	12
3. Dissimilarity of methods	16
4. Summary	17

396/X/71-E

COMPARISON OF AGRICULTURAL SUPPORT SYSTEMS
IN THE UNITED STATES AND THE COMMUNITY

The Directorate-General for Agriculture has just published a study entitled "Comparison of agricultural support systems in the United States and the Community" in its series of studies on agriculture ("Internal Information on Agriculture", No. 70, January 1971).

The purpose of this study was to compare aid arrangements for agriculture in the United States with those applied in the Community to determine, in approximate terms, what effect these have on farm income in the countries concerned.

An attempt was made to take all forms of public aid into account. It is not enough to compare public expenditure on subsidies because the additional income received by farmers is not determined by direct public aid alone but also by policy on land tenure, intervention affecting production costs, regulation of production and external trade.

When the incidence of support was being calculated, only those aids that have a direct influence on farm income in the Community and the United States were taken into account. The question to be answered was: "To what extent would farm income decline if these aids were withdrawn?"

I. METHODS USED

The choice of methods to be used in making the calculations was largely determined by the presence or absence of econometric models permitting a dynamic analysis of available statistics.

This led to agricultural support in the United States and the Community being assessed by two essentially different methods. This was unavoidable because of differences in the statistics available and earlier econometric studies on US agriculture by American research workers.

1. A dynamic method was used for the United States. With the help of an econometric model of American agriculture, income with and without internal measures of support was calculated. For the purposes of this model it was assumed that quantitative restrictions at the frontier were retained. The model does not make it possible therefore to assess the protective effect of these restrictions. It does however have the advantage of being objective in that it isolates extraneous elements from the support system as such.

Moreover, it is the only possible way of assessing global support in the United States which is such an important producer of many commodities at world level that its production and domestic prices inevitably affect world prices. For this reason the method used for the EEC could not be applied to the United States.

2. A static method was used for the EEC. Support was calculated for each product sector in a way that is very close to the method advocated during the Kennedy Round to calculate the level of support. To determine global support, the levels calculated for each product sector were added together. (The average levy was generally regarded as representing the difference between internal and world prices.) Because there was no econometric model of European agriculture, the method used for the United States could not be applied to the EEC.

The inevitable disparity between the two methods has obvious drawbacks which become very evident when it comes to comparing individual sectors. This is particularly true of sectors in which US support depends heavily on quantitative restrictions and of commodities (meat and milk products, for instance), of which it can be said that US production has little or no influence on the level of world prices. For these commodities too there are considerable disparities between the level of support given by the Community and by the United States which do not always give a true picture of the actual situation. It should be noted that these disparities are offset in the global figures.

It is important to bear in mind that the calculations are based on figures for 1967. When work on the study began, 1967 was the last year for which sufficiently detailed statistics were available for the Community; it was also the year used by American research workers in their econometric studies.

II. BRIEF SURVEY OF THE INCIDENCE OF PUBLIC AID ON FARM INCOME IN THE UNITED STATES¹

Table I gives figures for farm income before and after the withdrawal of public aid.

Table II gives absolute figures and percentages for the incidence of individual aids on 1967 income. These data were calculated from Table I, following a re-arrangement of certain headings.

A plus sign (+) in Table II indicates a positive effect on farm income and implies that if public aid were withdrawn, there would be a corresponding reduction in farm income.

A minus sign (-) in Table II indicates that the incidence on certain values of the withdrawal of aid would be indirect and tantamount to an increase in income. In these cases total production costs would decline following a decline in the volume of production.

cc0/200

¹ Chapter VI of the study contains a detailed explanation of the calculation techniques used by the American research workers. The findings quoted here are largely based on the work of E.O. Heady, L.V. Mayer and H.C. Madsen. A number of corrections were made to bring these findings more into line with the specific aims of the study.

Since the withdrawal of public aid appeared to have both a positive and a negative incidence on farm income in the United States, it proved impossible to calculate the percentage incidence of individual aids directly. It would in fact be pointless to conclude that, because aid to crop production amounts to \$5 835 million and overall aid to \$6 484 million, 90% of overall aid is granted to crop growers. These percentages have therefore been calculated on the basis of total aid linked to production.

Table III shows the percentage incidence of aid in relation to the value of the constituent elements of farm income prior to the withdrawal of public aid.

Table I - Actual farm income in the United States in 1967 and notional farm income following the withdrawal of support (\$ million)

		Actual value	Incidence of support	Short-term notional value (without support)
Wheat	+	2 066	- 849	1 217
Rice	+	443	- 79	364
Feed grain	+	3 728	- 1 433	2 295
Sugar	+	378	- 284	94
Soya beans	+	2 432	- 1 257	1 175
Cotton	+	947	+ 925	1 872
Tobacco	+	1 392	- 122	1 270
Vegetables	+	2 616	+ 81	2 697
Fruit	+	1 746	- 60	1 686
Miscellaneous	+	2 635	- 146	2 489
Total receipts from crop production	=+	18 383	- 3 224	15 159
Beef and veal, pigmeat	+	14 630	- 2 636	11 994
Milk and milk products	+	5 770	- 258*	5 512*
Eggs and poultrymeat	+	3 559	-	3 559
Wool	+	75	-	75
Miscellaneous	+	371	- 122	249
Total receipts from livestock production	=+	24 405	- 3 016	21 389
Wheat programme	+	731	- 731	-
Feed-grain programme	+	865	- 865	-
Cotton programme	+	932	- 932	-
Sugar programme	+	83	- 83	-
Wool programme	+	57	- 57	-
Miscellaneous	+	411	-	411
Direct public aid	=+	3 079	- 2 668	411
Total receipts	-	45 867	- 8 908	36 959
Total cash expenditures	-	29 079	- 1 809	27 270
Amortizations	-	5 741	- 391	5 350
Farm consumption + interest charged + stock appreciation	+	3 597	+ 224	3 821
Net income	=	14 644	- 6 484	8 160
	%	100	- 44.3	55.7

*The results for milk products underestimate the real situation. If the incidence of support is calculated via a comparison with world market prices, we get \$1 393 million for the incidence of support and \$4 377 million for notional farm income. In this event, the incidence of support on total receipts from livestock production would be -\$4 151 million and the corresponding figure for notional farm income would be \$20 254 million. Net income would be -\$7 619 million and \$7 025 million respectively.

Errata

1. On page 5 of the "Newsletter on the Common Agricultural Policy" nr. 5 of May 1971, Table II, "Absolute and relative part of the incidence of support measures on the total incidence on revenues in the United States in 1967", under the heading "Total incidence on Revenues" in million UA read:
" + 6.484 " instead of " - 6.484 " ;

Table II - Incidence of support on farm income in the United States
in 1967

Individual measures in relation to overall support

	million u.a.	%
1. Measures linked to products	+ 8 908	100
(a) Crop production	+ 5 835	65.5
Wheat	+ 1 580	17.7
Rice	+ 79	0.9
Feed grain	+ 2 298	25.8
Sugar	+ 367	4.1
Soya beans	+ 1 257	14.1
Cotton	+ 7	0.1
Tobacco	+ 122	1.4
Vegetables	- 81	-0.9
Fruit	+ 60	0.7
Miscellaneous	+ 146	1.6
(b) Livestock production	+ 3 073	34.5
Beef and veal, pigmeat	+ 2 636	29.6
Milk and milk products	+ 258 ^{EE}	2.9 ^{EE}
Eggs and poultrymeat	-	-
Wool	+ 57	0.6
Miscellaneous	+ 122	1.4
2. Reduction in total production costs (amortizations included) due to a reduction in total production	- 2 200	
3. Various incidences	- 224	
Overall incidence on income	+ 6 484	

^{EE} See remark under Table I.

Table III - Percentage change in the individual elements of farm income in the United States following the withdrawal of support (1967)

Wheat	-56.5	
Rice	-17.8	
Feed grain	-50.0	
Sugar	-79.6	
Soya beans	-51.6	
Cotton	-0.4	
Tobacco	-8.8	
Vegetables	+3.1	
Fruit	-3.4	
Miscellaneous	-5.5	
Total receipts from crop production + effects of support measures		-27.8
Beef and veal, pigmeat	-18.0	
Milk and milk products	-4.5 [‡]	
Eggs and poultrymeat	-	
Wool	-43.2	
Miscellaneous	-32.6	
Total receipts from livestock production + effects of support measures		-12.6
Total receipts		-19.4
Total cash expenditures		-6.2
Amortizations		-6.8
Farm consumption + interest charged + stock appreciation		+6.2
Net income		-44.3

[‡]Underestimation. The result obtained via a comparison with world prices is -21.1%. This would give a reduction of 52% in net income.

III. BRIEF SURVEY OF THE INCIDENCE OF SUPPORT ON FARM INCOME IN THE EEC

Table IV gives figures for farm income before and after the withdrawal of public aid; it contains all entries in the EEC's agricultural accounts.

In the first column are aggregate values taken from the national agricultural accounts of the six Member States.

The table gives absolute figures and percentages for the incidence of individual measures of support on income. A plus sign (+) indicates a positive effect on farm income, and farm income would drop by this amount if support were withdrawn. A minus sign (-) indicates that the incidence on the values in question of the withdrawal of support would be indirect and tantamount to an increase in income.

As with the United States, the percentage incidence of individual measures could not be calculated directly and for the same reasons. These percentages have therefore been calculated in relation to the total incidence on products rather than the global incidence of support.

In Table VI, the percentage variations represent the relationship between the level of support and the value of the constituent elements of farm income before the abolition of the relevant measures.

Table IV - Actual farm income in the EEC in 1967 and national farm income following the withdrawal of support

(million u.a.)

		Actual value	Incidence of aid (static)	Short-term notional value (without support)
Wheat	+	2 466	-1 163	1 303
Rice	+	98	-17	81
Feed grain	+	1 185	-451	734
Sugarbeet	+	781	-781	-
Olive oil	+	437	-173	264
Other	+	8 618	-	8 618
Value of final crop production	+=	13 585	-2 585	11 000
Beef and veal	+	4 604	-1 781	2 823
Pigmeat	+	3 773	-874 ¹	2 899
Milk and milk products	+	6 218	-4 014	2 204
Eggs and poultrymeat	+	2 748	-418 ²	2 330
Other	+	1 071	-	1 071
Value of final livestock production	+=	18 414	-7 087	11 327
Miscellaneous	+	394	-	394
Total value of final agricultural production	=	32 393	-9 672	22 721
Overall immediate consumption	-	10 853	-55	10 798
Subsidies	+	333		333
Indirect taxes	-	472		472
Amortizations	-	2 333		2 333
Net product at factor cost	=	19 068	-9 617	9 451
Index (19,068 = 100)		100	-50.4	49.6

¹The real effect (i.e. the effect if the reduction in feed-grain prices were taken into account) would be 207 million u.a.

²The real effect would be 137 million u.a.

Table V - Incidence of support on farm income in the EEC in 1967

Individual measures in relation to overall support

	million u.a.	%
1. Measures linked to products	9 672	100
(a) Crop production	2 585	26.7
Wheat	1 163	12.0
Rice	17	0.2
Feed grain	451	4.6
Sugarbeet	781	8.1
Olive oil	173	1.8
(b) Livestock production	7 087	73.3
Beef and veal	1 781	18.4
Pigmeat	874	9.0
Milk and milk products	4 014	41.6
Eggs and poultrymeat	418	4.3
2. Aids linked to inputs and income	539	
3. Reduction in cost of imported feed grain	(-) 594	
	9 617	

Table VI - Percentage change in the individual elements of farm income in the EEC following the withdrawal of support

Wheat		-47.2
Rice		-17.3
Feed grain		-38.1
Sugarbeet		-100
Olive oil		-39.6
Value of final crop production	-19.0	
Beef and veal		-38.7
Pigmeat		-23.2 ¹
Milk and milk products		-64.6
Eggs and poultrymeat		-15.2 ²
Value of final livestock production	-38.5	
Total value of final agricultural production	-29.9	
Overall intermediate consumption	+ 0.5	
Subsidies	-	
Indirect taxes	-	
Amortizations	-	
Net product at factor cost	-50.4	

¹ The real effect on the income of pig farmers, allowing for the reduction in the cost of feed, is estimated at 207 million u.a. (5.5%). This figure should be compared with the effect on the value of final production (874 million u.a. (23.2%)).

² The same is true for pigmeat. The real effect on income amounts to 137 million u.a. (5%). The effect on the value of final production is estimated at 418 million u.a.

IV. INTERPRETATION OF FINDINGS

The findings of the study should be interpreted with considerable caution. It is true that the considerable discrepancies (see Tables II and VI in particular) between the results obtained for the United States and the EEC illustrate a fundamental difference in approach to agricultural policy, but they can also be attributed to the special features of the methods used to calculate the incidence of public aid in the two economic entities. When the summary tables are being analysed therefore, the results will need to be elaborated as they are being interpreted.

1. General

If public aid were withdrawn, the value of final wheat production would drop appreciably both in the United States and in the EEC (56.5% and 47.2% respectively). The level of support given to the wheat market in the United States appears however to exceed that given in the EEC: 17.7% of total product-linked support as compared to 12.0% in the EEC.

The same type of change would occur for feed grain and rice: the value of final production of feed grain would fall by 50.0% in the United States and 38.1% in the EEC, and that of rice by 17.8% and 17.3%.

Aid to feed grain represents 25.8% of total product-linked support in the United States and 4.6% in the EEC. The corresponding figures for rice are 0.9% and 0.2%.

Apart from wheat, rice and feed grain, the following commodities receive a considerable share of overall support to crop production: in the United States, soya beans (14.1% of all support with a 51.6% drop in the value of production) and sugar (4.1% with a 79.6% drop in the value of production); in the EEC, sugar (8.1% of all support with a 100% drop in the value of production) and olive oil (1.8% with a 39.6% drop in the value of production).

The overall results of the study show that the withdrawal of all support to crop production would mean that the value of final crop production would fall by 27.8% in the United States and by 19.0% in the EEC. This aid however represents a much higher proportion of all product-linked aid in the United States than in the EEC: 65.5% and 26.7% respectively of the overall incidence of support.

Even if the percentage were the same, the reduction in the value of crop production would still represent a much larger proportion of total product-linked support in the United States than in the EEC, given the relatively low level of aid to livestock production in the United States. Livestock production gets almost 73% of total product-linked support in the EEC, as against 35% in the United States.

The relatively lower level of support to livestock production in the United States is borne out by the following:

- (a) The value of final meat production would only fall by 18% in the medium term if support were withdrawn, as compared to a short-term reduction of 38.7% for beef and veal and 23.2% for pigmeat¹ in the EEC;
- (b) Milk and milk products derive relatively little benefit from measures of support. The value of production would only be reduced by 4.5% in the hypothesis retained by Mayer, Heady and Madsen,² as compared to a figure of 64.6% in the EEC;
- (c) Producer prices and the volume of egg and poultrymeat production are not subject to control in the United States; if support were withdrawn in the EEC, however, the value of production would fall by 15.2%.³

The other findings for the United States and the EEC are more or less similar. It had been decided that there was no need to calculate support in the EEC for tobacco, vegetables, fruit, wool and olive oil because such support is marginal. It was found that public intervention for these products is of secondary importance in the United States too.

The final results do not reveal any spectacular difference between the situation in the EEC and the United States.⁴ The incidence of support on farm income is 50.4% in the EEC and 44.3%⁴ in the United States.

The difference is sufficiently marked, however, to allow us to draw some politico-economic conclusions, provided a further check is made on the figures.

All these comparisons are in fact based on broad findings. When they are being interpreted allowance must be made for the different methods used for the United States and the EEC. It might be useful to examine these differences product by product.

2. Product-by-product comparison

(1) Wheat and feed grain

The estimated 47.2% drop in the value of wheat production in the EEC was found to be entirely due to the price paid for home-grown wheat being brought down to world market level. The world market price is very strongly influenced by the US (supported) price.

.../...

¹ 5.5% if allowance is made for the reduction in feed-grain prices.

² If the comparison were based on world market prices, the incidence would be about 24%.

³ 5% only if allowance is made for the reduction in feed-grain prices.

⁴ 52% if calculations were based on world market prices for milk and milk products.

The reduction in the value of wheat production in the United States (estimated at 56.5%) is due to increased output (because of the abolition of former restrictions) combined with a considerable drop in price.

The differences between the methods used to calculate the incidence in the EEC and the United States are immediately obvious. It would however be both pointless and impracticable in this instance to use one and the same method.

If the incidence of support on farm income in the United States were to be equated with the difference between the American price and the world market price, it would mean that a key element, namely restrictions on production, would be overlooked and that the incidence would be largely underestimated.

Similarly, if the incidence of support on farm income in the EEC were to be equated with the incidence of purchases on the market and (non-existent) restrictions on production, it would mean that the import levy system would be overlooked as an essential factor, leading to a further gross underestimation.

The incidence of aid for wheat in the EEC could also be based on the reduced American price, which would then be very close to the new world price. In the context of a short-term analysis, the 47.2% drop in the value of production in the EEC would, strictly speaking, still be an underestimation because the reduction is in fact based on a comparison with a world market price which is strongly influenced by the supported American price. In the medium and long term, following stabilization of output at a lower level in the United States and the EEC and increased demand from developing countries, it is to be expected that the old price would still be restored, even if only partially.

Much the same line of argument could be put forward for feed grain.

(2) Sugar

In the EEC and in the United States, the drop in the value of production (amounting to 100% and 79.6% respectively) can be attributed to the opening up of frontiers and the abolition of direct intervention on the market. This calculation can only be based on sugar, a processed product, and not on sugarbeet. The result obtained is higher than the overall value of sugarbeet production. The income loss which sugarbeet growers would suffer if price support were withdrawn and import quotas abolished would be higher than their previous income. It would be impossible for sugar manufacturers to pass the full burden resulting from the withdrawal of support on to growers. Nevertheless some EEC enterprises working under favourable natural and structural conditions would be able to go on growing sugarbeet. It would be an exaggeration to suggest that this crop would go out of production if support were withdrawn.

(3) Soya beans, olive oil and cotton

Soya beans and cotton are grown only in the United States and olive oil is produced only in the EEC. This in itself is sufficient indication of a lack of uniformity in the methodology used.

For olive oil the incidence on farm income was calculated on the basis of a comparison with world prices. For cotton (the world price of which is on the same level as the American price) and soya beans (the world price of which is equal to the American price) the calculation was based on the presumed effect of the abolition of restrictions on supply (for cotton) and direct price support (for cotton and soya beans).

(4) Beef, veal and pigmeat

The reduction in the value of production of beef, veal and pigmeat in the EEC (estimated at 38.7% for beef and veal and 23.2% for pigmeat) would be a short-term phenomenon due in the main to the abolition of levies and customs duties.

The 18.0% reduction in the value of total meat production in the United States would be in the medium term. It is explained by an increase in output and an over-compensating reduction in prices, both due to more widespread utilization of cheaper feed grain. The result obtained is the product of various interdependent mathematical values in the model constructed by Mayer, Heady and Madsen.

Since the incidence of US aid is explained by the isolation of the internal market and by the considerable support given to feed-grain prices, it should, preferably, be calculated after several years have elapsed, i.e. in the medium term. The effect of a reduction in feed-grain prices will only become apparent after a number of production periods.

By contrast, any attempt to forecast medium-term developments on the European meat market is rather hazardous because allowance has to be made not only for the reduction in feed-grain prices and the adjustment of the meat price to world market conditions but also for the spectacular drop in the price of milk products which is to be expected in the short term. The latter would seem to suggest that the balance will ultimately tip in favour of increased meat production. Indeed, in the medium term, a stockbreeder would probably suffer least loss of income if he were to concentrate on beef and veal production despite less favourable conditions on the world market. Nevertheless, it is hard to say to what extent this increase in production would reduce prices and affect income.

Here too, then, the dynamic method chosen for the United States and static one used for the EEC was merely a matter of pragmatism.

When the incidence on pigmeat in the EEC is being calculated, allowance should be made for the notes to Tables IV, V and VI on the effect of a reduction in feed-grain prices. The incidence on the value of production is actually calculated by multiplying the average levy by gross domestic production.

This result could however lead to the wrong conclusion. To determine the real income effect of support for pigmeat production, lower production costs attributable to cheaper feed following the reduction in feed-grain prices must be taken into account.

To incorporate this factor in the calculation, production must be multiplied, not by the full levy, but rather by the "b" element of the levy which represents protection for the pigmeat industry.

(5) Milk and milk products

The reduction in the value of production of milk and milk products is put at 64.6% for the EEC and 4.5% for the United States. The figure for the EEC is undoubtedly exaggerated. The enormous difference between the import price of butter (450 u.a. per ton) and the Community threshold price (1 873.6 u.a. per ton) is not only due to the isolation of the EEC market but also to the considerable export subsidies granted by non-member countries.

The suspicion that the figure of 64.6% is excessive is partly confirmed by comparing the average producer price for whole milk in the EEC (in 1967/68, 9.54 u.a./100 kg of milk with a 3.7% fat content) and the average producer price for the same product in Australia, New Zealand, Ireland and Denmark (\pm \$6/100 kg). However, too much importance cannot be attached to the comparison. The price quoted for these countries is a supported one and in any event the EEC does not import whole milk. For this reason, the import price of butter is much more significant than the average producer price for whole milk.

There is a more serious objection, however. The apparent gap between prices is so wide that if support were withdrawn a substantial reduction in the dairy cow population and increased emphasis on meat production might be expected even in the short term. For this reason it would be better to view the calculation of incidence from the dynamic angle.

By contrast the 4.5% reduction in the value of production in the United States is an underestimation. The calculation is based on the assumption that the "marketing orders" system introduced by the States will remain unchanged and that import quotas (which are undeniably a form of support) will not be abolished. If the calculation were based on the discrepancy between the American price and the world price, the reduction would be 24.1%.

(6) Eggs and poultrymeat

The results indicate that the withdrawal of support would lead to a 15.2% reduction in the value of egg and poultrymeat production in the EEC but would have no effect on the value of production in the United States.

The reduction for the EEC would follow the adjustment of domestic prices to the level of world prices. World prices are, in turn, strongly influenced by conditions on the American market. For this reason it was assumed that the value of American production would remain constant. If allowance is made in the case of the EEC for the incidence of the reduction in feed-grain prices, the income effect becomes 5%.

3. Dissimilarity of methods

It is clear that most of the difficulties encountered in interpreting the findings of this study are due to the different methodological approaches on which the calculations are based. The comparison of results is hampered by the fact that the analysis for the EEC is static (i.e. the volume of production was considered to be invariable in relation to price decreases in the short term) whereas this restrictive hypothesis was not retained for the United States.

One of the direct consequences of the assumption that the volume of production in the United States is variable is that production costs also become variable. In this connection, Mayer, Heady and Madsen found that purchases of inputs from outside agriculture fell. This decrease is to be deducted from the overall incidence of aid.

The value of purchases of inputs from outside agriculture remains constant in the EEC, with the sole exception of the reduction in the value of feed grain purchased on the market or imported from non-member countries.

Another restriction, this time affecting the method applied to the United States, is the closed character of the model used by Mayer, Heady and Madsen. Unlike the method followed for the EEC, it was assumed that import restrictions would be maintained.

For certain products - and this is particularly true of milk and milk products - quantitative restrictions on imports are in fact an instrument of support policy.

Except where allowance has already been made for this in the corrections, it should be remembered that the study rests on the following basic hypotheses:

- (1) It is assumed that economic interdependence has, at least for the purpose of a short-term analysis and for the EEC, a negligible effect on the validity of the findings. The errors flowing from this assumption will be minimal in comparison to the margin between EEC and world prices. The phenomenon of interdependence applies both to the relationship between domestic and world prices and to the relationship between domestic prices for various farm products.

- (2) The incidence of aid to agriculture in the EEC was calculated on the assumption that the United States would maintain its support policy. Similarly, the incidence of aid to agriculture in the United States was calculated on the assumption that the Community would maintain its market intervention policy. In both cases it was assumed that agricultural support policies would be maintained in other countries too.
- (3) Calculations were only made for measures of support with a "direct" incidence on income.

4. Summary

(1) The findings of the study indicate that if direct agricultural support were withdrawn, farm income in the United States would decline by about 44%¹ and farm income in the EEC by about 50%. Expressed in terms of dollars per annum and per labour unit, these percentages represent a reduction of some \$1 320 for the United States and some \$860 for the EEC.²

(2) The overall results also show that support in the United States is essentially linked to products. Wheat, fodder beet, soya beans, sugarbeet, and sugar cane are the crops which receive the heaviest support. Support for livestock products is more indirect and in any event less extensive than that for crop products. Support in the EEC is, in the main, linked to products; only 5% of all support is linked to inputs and income. In contrast to the situation in the United States, livestock products receive the bulk of all support in the EEC.

In the Community, 27% of product-linked aid goes to crop products and 73% to livestock products; the corresponding figures for the United States are 65% and 35%. The withdrawal of support would lead to a fall of 19% in the value of crop production in the EEC and 28% in the United States. The value of livestock production would fall by 38% in the EEC and 13% in the United States.

(3) There are grounds for believing that the incidence of aid in the EEC has been underestimated for wheat and feed grain, and overestimated for sugar, milk and milk products.

On the other hand, it is more than likely that the results for milk and milk products for the United States are an underestimation. The incidence of support on sugar and cereals may be slightly overestimated.

.../...

¹ 52% if calculations were based on world prices for milk and milk products.

² The labour figures were taken from USDA - Agricultural Statistics 1968, p.446 and SOEC - Statistiques générales 1969, No. 11, p.18.

(4) These considerations suggest that the initial discrepancy between the reduction in farm income in the United States (44%) and the EEC (50%) does not entirely reflect the real situation and that the discrepancy is probably less marked in fact. It is clear, moreover, that the corrections made bring not only the overall results but also the percentage incidence of the various constituent elements of income closer together.
