

Common Market Shapes Farm Plan

By Roger W. Fox

Representatives of the six European Economic Community nations (Belgium, France, West Germany, Italy, Luxembourg and the Netherlands) have been struggling since the signing of the Treaty of Rome in 1957 to establish a common agricultural policy. Establishment and implementation of this policy is nearing completion. This article reviews the development of the common agricultural policy, its major features, and indicates possible implications for U.S. and Arizona agriculture.

The main policy goals for agriculture, as contained in the Treaty of Rome, were stabilization of markets and an increase in farm income. In addition, the general goal of eliminating all internal trade barriers and the adoption of a common trade policy for nonmembers also applied to the formation of agricultural policy.

Dissension Nearly Ruins It

The task of determining an acceptable agricultural policy that would permit abolition of tariffs and quotas between member countries was monumental, much more difficult than creating a common market for manufactured products. Primary reason for this difficulty was the widely divergent agricultural policies existing in the member countries. National agricultural policies ranged from protecting the interests of highly efficient, export-oriented farm production in the Netherlands, to relatively high-cost, import-substituting production in Germany.

Add to this the necessity of establishing a common trade policy toward nonmembers and the complexity of the task comes into focus. It is little wonder that disagreement on agricultural policy led to a deadlock in negotiations and the virtual collapse of the Common Market in 1965. However, compromises were made and the prospects appear certain for implementing various regulations governing agriculture. Many of the regulations cur-

rently operating on a transitional basis will come into full effect this July.

Protecting EEC Agriculture

Common Market agricultural policy has evolved on a commodity by commodity basis. Starting in 1962 with a set of detailed market regulations for six of the major commodities produced in the EEC (grains, pork, poultry, eggs, fruit, wine), a series of additional regulations has been approved by the Council of Ministers. These regulations relate to rice, dairy products, beef and veal, olive oil, oilseeds and sugar. Commodity programs govern over 90 percent of the agricultural production in Common Market countries. Additional agreements are planned for tobacco, nonedible horticultural products, hops and fisheries.

These market regulations attempt to stabilize farm income by maintaining high, uniform prices throughout the Community by means of a price support program. Imported commodities from nonmembers are subject to a variable levy in order to eliminate any competitive advantage that foreign products may have. Surplus production is to be exported, subsidized when necessary. Domestic price-support expenditures are to be borne by the members, financed in part from levies on agricultural imports from outside the EEC.

Impact on U.S. Exports

What effect will these elaborate programs have on U. S. agricultural exports to the EEC? This is of considerable importance, since our food and fiber exports to the EEC represent about 30 percent of the dollar sales of U. S. agricultural products.

Because a number of the regulations have been in effect on a transitional basis since 1962, we can get an idea of their effect by looking at the export figures in the accompanying table. It presents the dollar value of U. S. agricultural exports to the EEC for fiscal years 1961-62 through 1965-66. Variable levy commodities receive the most protection under EEC policy and, consequently, are of major concern in evaluating the outlook for U. S. exports.

Total U. S. agricultural exports to

the EEC were \$1,593 million in 1965-66, 16 percent above the preceding year and 35 percent above 1961-62. During the same five year period, U. S. exports of commodities entering the EEC under the variable levy system increased 48 percent. In comparison, exports of farm products not subject to variable import levies were up only 25 percent. Surprisingly, the increase in exports subject to variable levies was greater, both absolutely and relatively, than the increase in nonvariable levy commodities.

Feed Grain Outlook Good

Feed grains accounted for the largest share of total exports to the Common Market. In 1961-62, feed grains represented 23 percent of U. S. agricultural exports to the EEC. Their share expanded to 34 percent in 1965-66. Although production in the EEC increased during the five-year period, the demand for animal feedstuff grew more rapidly than production, and imports were used to fill the gap between production and total requirements.

A study completed by the author in 1965 indicates a continued increase in the EEC feed grain deficit. Projections for 1970 suggest that the U. S. will be the major beneficiary of the increased deficit. Feed grain exports to the EEC are expected to double, and possibly triple, from the 1959 to 1961 average. Even with an anticipated reduction in wheat exports to the EEC, gross revenue from U. S. wheat and feed grain exports to the Community is expected to be substantially greater in 1970 than at the start of this decade.

Chicken War Cut Exports

The reduction in exports of poultry and eggs between 1961-62 and 1962-63 reflects the outcome of the "Chicken War." Current EEC policy is aimed at a goal of self-sufficiency in poultry meats. EEC production has increased 35 percent from 1962 to 1965, while import requirements have fallen from 316 to 164 million pounds. It seems unlikely that the U.S. will be able to maintain the recent level of poultry meat exports to the EEC.

Expansion of soybean, oilcake and protein meal exports to the EEC has been remarkable. Between 1961-62 and 1965-66, exports of these items more than doubled. A recent U. S. Department of Agriculture study indicates a strong demand for oilseeds and oilseed products through 1970. Since the United States is the principal world supplier of these products,

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exports to the EEC should continue at a high level.

In general, the outlook for U. S. agricultural exports to the EEC is favorable, at least through 1970. Exports of certain commodities, such as wheat, cotton, poultry and lard, will probably decrease. However, increased exports of feed grains, soybeans, oilcake and meal will more than offset the losses.

Implications for Arizona

What are the implications of the EEC policy for Arizona agriculture? Definite answers to this question are hard to give. Agricultural production in Arizona is only a small part of total U. S. production. Furthermore, although U. S. exports to the EEC constitute about 30 percent of our dollar exports sales, these sales represented only 3.8 percent of the cash value of agricultural output in 1965. However, a few generalizations pertinent to Arizona can be made from the data presented in the table.

Cotton exports to the EEC from the United States have declined, due principally to increased competition from developing countries and the greater use of synthetic substitutes. For example, during the three-year period 1963 through 1965, total EEC imports of synthetic fibers, fabrics and yarns increased 39 percent from \$519 million to \$719 million. U. S. cotton exports to the EEC for the same period declined from \$132 million to \$70 million. Obviously, cotton exports to the EEC will not solve the surplus situation facing U. S. and Arizona cotton producers.

The continued demand for feed grain imports by Common Market members means very little to Arizona producers or users of feed grains. U. S. feed grain exports to the EEC in 1965 were only 7.6 percent of domestic production by value. Furthermore, Arizona produces only one-half of a percent of the total U. S. supply of feed grains. Internal conditions are much more important in determining supply, demand, and price for feed grains. Nevertheless, if domestic conditions stay fairly constant, a strong export demand could result in slightly higher prices.

Beef Exports Small

Although U. S. beef and veal exports to the EEC have increased during the 1960's, they still represent an insignificant portion of total production. Further increases in exports would result in only minor changes in prices received by U. S. and Arizona producers.

U. S. Agricultural Exports to the European Economic Community

	1961-62	1962-63	1963-64	1964-65	1965-66
(1,000 dollars)					
Variable Levy Commodities:					
Feed grains	271,080	273,709	277,655	377,238	536,988
Rice	17,170	13,028	15,569	9,817	14,915
Rye grain	9,206	24,160	8,080	1,753	2,834
Wheat grain and flour	121,450	41,950	94,002	36,961	102,944
Beef and veal	21	111	599	2,066	1,820
Dairy products	1,620	7,091	40,744	44,280	18,479
Lard	3,266	2,568	2,703	1,170	1,229
Pork and swine	444	383	10,200	520	1,249
Poultry and eggs	64,957	29,837	33,957	28,336	28,830
Other	8,316	23,323	22,680	27,230	27,847
Total	497,530	416,160	506,189	529,371	737,135
Non-Variable Levy Commodities:					
Canned poultry	1,696	1,572	2,986	3,864	2,925
Cotton	157,093	86,847	191,148	127,227	53,719
Fruits and vegetables	80,595	95,763	88,115	88,157	99,188
Hides and skins	21,957	16,610	23,623	27,844	31,158
Oilcake and meal	32,302	54,027	55,379	101,865	129,473
Soybeans	147,095	163,826	193,934	200,642	260,763
Tallow	32,266	22,926	32,691	35,396	36,276
Tobacco, unmanufactured	104,529	103,115	105,702	104,064	105,003
Variety meats	16,724	18,140	26,335	32,532	33,015
Vegetable oils	18,368	13,346	29,630	40,660	17,692
Food for relief and charity	18,445	9,964	8,535	5,348	3,838
Other	55,416	67,319	68,640	73,977	83,205
Total	686,486	653,455	826,718	841,576	856,255
Grand Total	1,184,016	1,069,605	1,332,907	1,370,947	1,593,390

Source: U. S. Department of Agriculture, *Foreign Agricultural Trade of the United States*, September 1966, p. 44.

Fruit and vegetable exports to the EEC have been fairly constant during the period 1961-62 through 1965-66. Because of the stringent regulations adopted by the community, increases in imports of these products are unlikely. This means that Arizona citrus exports to the EEC will remain fairly constant, or possibly decrease as southern Europe increases production and as the use of concentrates and synthetics expands.

In general, U. S. experience with Common Market import regulations on agricultural commodities has been far better than anticipated. Full implementation of the common agricultural policy this year is unlikely to alter the overall situation in the near future, at least through 1970. The expanding EEC economy will continue to require substantial imports of agricultural products, with a large portion still coming from the United States.

THE HARVEST

The harvest is more than cutting grain
And hay, or husking corn when it is ripe.
Good crops are the fruition of faith;
They are the sweat of toil, and pride
In doing well. Harvesting begins with
A well-fed soil, turned by knowing hands;
And as the patient farmer works, he dreams
Of golden crops upon his fertile lands.
The seed he sows must be the honest kind
Which, given soil and sunshine, care and
rain,
Will paint a landscape to beautify the earth;
A picture showing thankfulness and grace
Is in the toiler's thoughts and heart,
Reaching, beyond the task of garnering
crops,
To hungry brethren, to patient beasts at
work.
He is grateful for all things given,
And satisfied in his staunch heart that
When the harvest is complete, he has done
his part.

—Cora G. Sheafor in THE FURROW Magazine



JULY

24-28 — State 4-H Roundup — U of A Campus.

AUGUST

21-26 — American Society of Parasitologists & American Microscopical Society Meeting, U of A Campus.

SEPTEMBER

25 — Annual Arizona Turf Conference — U of A Campus.
30 — National 4-H Club Week.