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Revision of a Foolish System

Four starts the nine EC Ministers of Agriculture had to make before agreement could be reached on a "compromise-package" that could not please anybody. This "package" is a political one, for none of the Ministers would or could take the responsibility for a political crisis of unforeseeable consequences. What, however, the prolonged and wearisome negotiations achieved is that, apart from official Paris, almost everybody begins to realise the necessity of a thorough revision of European agrarian policy.

The EC Treaty includes four agricultural policy targets: improvement of agricultural productivity, adequate incomes of farmers, market stabilisation and adequate consumer prices. Three of these objectives have not been attained. The farmers' incomes in most cases are lagging behind those of other vocations. The consumers are paying many times the world market prices and, considering rising butter surpluses and beef deficits, any market stabilisation is out of the question. Agricultural production alone exploded in a way not to be imagined 10 or 15 years ago.

When in the early sixties the EEC passed its most important agrarian market orders nobody envisaged such a development. The system then installed guaranteed the farmers minimum prices and sales and protects them against cheaper competition by third countries. But price and sales guarantees do not limit surplus production in line with the economic market conditions. The consequences hit the consumer who partly finances the Fund with his taxes and due to the high price policy cannot enjoy lower prices. The expenditure of the European Agricultural Fund has been rising from DM 112 mn in 1962/1963 to DM 12 bn in 1973.

That the Community's price policy cannot go on this way has been known even before Britain's accession. Although the farmers' associations do not yet admit it, some day they will have to realise that indiscriminating price increases are socially unjust, economically wrong and politically dangerous. They improve the situation of the wealthy farmers and grant the poorer ones only a short respite in their race against rising operational costs. Already last year the Italian

member of the European Commission, Spinelli, arrived therefore at the conclusion that it would be better to pay income subsidies for the first 20 hectares instead of raising the prices of sugar and grain.

Mr Spinelli could not carry his point then. But now the European Commission thinks a debate on other agricultural income policies to become necessary already this autumn. This will be unavoidable with regard to the forthcoming round of trade liberalisation talks within GATT. Agricultural trade and production were virtually excluded from the Kennedy Round, but they cannot be excluded this time if negotiations are to have any chance of success.

What, then, are the alternatives? Paid incomes as the 300,000 British farmers receive from the budget are not possible under financial aspects with five million European farmers. Production quotas for curbing the output could, on the other hand, not be managed administratively. There is, however, another conceivable reform model under discussion: The payment of direct income subsidies to handicapped small farmers as e.g. in hill-farming. This would be a corrective to price policies and relieve agricultural prices of their double function, i.e. to control the market and simultaneously to secure the farmers' incomes. Supplemented by measures of structural, social and regional policies this model would improve the mechanism of the agrarian system and alleviate the change from surplus to deficit products. And agrarian policy makers might even become acquainted with the idea that surpluses should lead to price reductions.

So far, however, the opinions of politicians are differing widely. According to the French Minister for Agriculture, M Chirac, France sees no reason for pondering over the system and mechanisms of the common agrarian market, while the German member of the EC Commission, Herr Dahrendorf, voiced quite another opinion. According to him the compromise of Luxemburg reveals the complete foolishness of the system. What remains is a tiny hope that some time the force of facts and imagination will win against a silly order dominated by egoistic interests. *Hubert Höping*