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Problem Child Agricultural Policy

Agricultural policy, whether national or international, has always been the politicians' problem child but is now causing quite a new kind of trouble. That the situation is an entirely new one will have been noticed by very few people. For years if not decades the industrialised countries of the West which are also the principal agricultural producers have had to cope with large unsaleable surpluses (even though large numbers of people in other regions were at the same time suffering from chronic shortages). The USA was carrying forward wheat surpluses of 25 mn t from one year to another, a cause of great expense to the taxpayer and politically a nuisance. Big consumption areas, like the EC, persisted in a policy of self-sufficiency resulting in excess production, and this trend became even more marked after the enlargement of the EC last year. The "world market" was essentially a dumping ground for subsidised surpluses since there was hardly a country in the world which did not subsidise its farmers in one way or another, and the world market prices of agricultural products were correspondingly depressed and unstable.

All the greater is the surprise now that the unexpected coincidence of such adverse factors as poor harvests in the USSR and Australia, absence of the usual anchovis shoals off the coast of Peru, difficulties of transport, political uncertainties and speculative elements have caused the wind to veer to the

opposite direction. Superabundance has given way to scarcity. US wheat currently costs about \$ 210 per ton in Germany — 225 p.c. more than in "normal" times; the price of maize has risen by 190 p.c.; shredded soybeans and fish-meal have gone up even more steeply.

By all past experience the EC is facing a grotesque situation: the world market prices of all grains except rye are above the EC prices, some by substantial margins, of hard wheat e.g. by more than 100 p.c. The exorbitantly high prices fixed by the EC authorities had given rise to supply surpluses which had to be unloaded on the world market with the help of subsidies. Now, to avoid being "sold out", the authorities have already had to refuse to issue further export licences for wheat. They have thus committed the sin against the spirit of free world trade for which they self-righteously rebuked the USA not so long ago. The consequences may be grievous.

There is no concrete evidence at present which points to an early alleviation of the situation but neither is this critical condition likely to last very long. The high price levels, and similarly the drastic reduction of US subsidies for unused acres, will stimulate the main producers into action. In addition a few good harvests in the eastern bloc, China and India will result in excess production and burdensome surpluses without parallel in a few years. The liberal trade order may not be sufficiently firm to withstand

their explosive impact on trade policy.

The present seesaw of agricultural policy lets us draw several important conclusions:

□ All the planning and progress notwithstanding, the world agricultural policy is caught on a narrow ridge between scarcity and plenty. Whether and at what time one or the other is in the ascendant is largely a matter of chance. It cannot really be determined in advance. Yet both can cause much turbulence on the domestic and foreign political scene, and both call for suitable arrangements for international crisis management in good time.

□ The present situation will buoy up the advocates of self-sufficiency and supply them with arguments which cannot be easily refuted and may be put forward in future trade rounds. The present situation is therefore conducive to even greater regional autarky and degeneration of the agricultural world market.

□ The agricultural policy of the EC, which was originally thought of as a motor and precursor of European union, but is becoming more and more of an obstacle on the way towards it, will prove even more haphazard and inhibitive than hitherto.

□ And to venture yet another forecast: If agricultural products are made the main subject of negotiation in the imminent GATT Round, the talks will most certainly develop into a round of great disputes rather than great successes. *Alfons Lempert*