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Crisis of the Common Agricultural Policy?

With its constantly recurring crises in the past years the common agricultural market of the European Community has become more and more of a liability for European integration. It underwent its latest test on September 25 when the Federal Government made consent to the 5 p.c. rise in farm prices, as decided on by the EC Council of Ministers, dependent on fulfilment of certain prior conditions. These included a stock-taking on the common agricultural policy and the removal of national measures which run counter to the Rome treaty. Although both these demands may well be important, they leave the question open whether the common agricultural policy does not need a fundamental reform if future crises are to be avoided.

In this respect it must be said first of all that the cornerstones of the common agricultural market — the system of fixed prices and state intervention guarantees — are probably the right ones, for the alternatives of the British deficiency payments system and introduction of volume controls on agricultural outputs are by no means uncontested. The real cause of the crises of the common agricultural market is that too much was demanded from it when the EC was founded. It was to be a pillar of support and a motive force for further European integration at the same time. This twofold task threw too great a strain on it because the national economic interests of the member countries proved to be stronger. Lack of harmonisation between national economic policies and delay in progress towards economic and monetary union created a situa-

tion in which the common agricultural market today resembles a time-bomb which threatens European integration.

In this basic situation the disintegration tendencies in the common agricultural policy were almost bound to grow stronger. The national protective devices applied to various products and the border equalisation system, which were forced on the Community by currency floating and disruption of the EC monetary bloc, have in fact split up the common agricultural market into as many part-markets as the Community has members. The price differences between these markets today are virtually as great as in 1967 when common standard prices expressed in units of account were first introduced.

The disintegration tendencies were fed by the balance of payments difficulties which most members experienced as a result of steep rises in oil and raw material prices. The large foreign currency deficits induced several EC countries to offer national incentives for production of beef and milk although the Community is not short of these products.

That the common agricultural policy is in need of a stock-taking and the removal of national measures which violate the Rome treaty is thus beyond doubt. No fundamental improvement of the agricultural situation however can be expected from these unless progress is made in the spheres of economic and monetary union and social policy, and only then a reform of the common agricultural policy seems to make sense.

In the meantime the politicians concerned with agricultural and European affairs have no cause to fold their hands. They should pay increased attention to the problems of regional policy and the problem posed by overproduction of certain commodities. In many regions of the common agricultural market farmers will go on producing agricultural products as long as they are lacking industrial alternatives. Redress is less likely to come from an agricultural policy with regional accents than from a European regional policy which implies financial solidarity between the partner countries. The dilemma of surplus production is closely connected with this complex of problems. An appropriate regional and structural policy with social elements could relieve the common price and market policy of the necessity of guaranteeing a sufficient income to the most marginal of smallholders: it would allow price levels and ratios to be fixed so as to achieve an approximate equilibrium in the market.

If more is done in these two spheres, the EC can live with the common agricultural market also in future. National agricultural policies would offer no alternative, for there is no evidence at all that they would give better results. They would, besides, erode the European Community. Lastly it should be borne in mind that the common agricultural policy taken as a whole has given to the agricultural markets a relative stability with previously unknown benefits which compares favourably with most other agricultural markets in the world.

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