

US-Speaking-Tour - 31 May - 10 June 1984

Europe and the USA - the most important Partners in
World Trade

Address by

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Greetings and thanks

The European Community exists now for 27 years and counts 10 member-states: France, Belgium, the Netherlands, Italy, Luxemburg, Great Britain, Ireland, Denmark, Greece and the Federal Republic of Germany - Spain and Portugal will join the Community very soon.

271 million people are living in the European Community, that is 50 million more than are living in the United States. We have today about 6 million farmers in the European Community and 8 million people working on farms (USA: 2,6 million farmers and 2,2 million farm labours).

The European Community produces double as much milk as is produced in the United States and as much meat and eggs as your country, ten times as much wine, three times more sugar, double as much potatoes and one and a half times as much fruit and vegetables.

Only for grains the USA produce three times more than the EC. Cotton and soybeans are hardly produced in the EC.

The Treaty of Rome, which set up the European Economic Community in 1957, spelt out the objectives of the common agriculture policy as follows:

1. to increase agricultural productivity,
2. thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture,
3. to stabilize markets,
4. to assure reliable supplies,
5. to ensure reasonable consumer prices.

The policy rests on the following three principles:

1. the single market,
2. community preference,
3. financial solidarity (ensured by the European Agricultural Guidance and Guarantee Fund (EAGGF)).

The same principles are applied in the United States:

1. a single large market without trade restrictions as between the 50 states,
2. firm protection of American production against world competitors,
3. a Federal Fund - the Commodity Credit Corporation (CCC) - comparable, in its functions, to the Guarantee Section of the EAGGF.

The Commodity Credit Corporation of 1948 sets out the following objectives:

1. to stabilize, support and protect farm income and prices,
2. to assist in the maintenance of balanced and adequate supplies of agricultural commodities,
3. to facilitate the orderly distribution of agricultural commodities.

For the purpose of its work, the CCC may:

1. support the prices of agricultural commodities through loans, purchases, payments and other operations,
2. make available materials and facilities required in connection with the production and marketing of agricultural commodities,
3. procure agricultural commodities for sale to other government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements,
4. remove or dispose of, or aid in the removal or disposal of, surplus agricultural commodities,
5. increase the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets or by developing or aiding in the development of new and additional markets, marketing facilities, and uses for such commodities,
6. export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities,
7. carry out such other operations as Congress may specially authorize or provide for.

We have the same aims but other measures.

It is always difficult to judge, what are the better measures. The aims of the Treaty of Rome have been reached to a large extent.

Today, a European farmer produces 4 times as much food as at the beginning of the Common Market.

Nevertheless, the income problem of farmers has not been solved. In Europe, we have about the same difficulties as they are in the United States.

The farmer in Europe and the farmer in the United States belong to that group of population who work the hardest, who work the longest, who invest most per labour unit and, compared to that, have the smallest earnings.

When we compare income figures, we notice that there is only a small difference per head between US and European agriculture.

An essential difference shows the fluctuation of income, which is much more important in the USA than in Europe.

In the United States gains may vary from one year to another by about 50 to 60 percent upwards or downwards.

In Europe these fluctuations are smaller as production on the farms is more diversified.

It is added that in Europe the population has more sensitive reaction regarding increase or decrease in gains.

As I could observe, there is less sensitive reaction in the USA. The reasons for the shortage in income are similar in the EC and the USA.

Compared to the existing demand we produce too much in both countries.

There are some points of criticism and disagreement.

We are frequently accused by the American government of limitless sums of money to encourage our farmers to produce surpluses which are then off-loaded on the world market.

On the other hand the US government says:

The prices in Europe are too high, they should be lowered.

Finally the Americans are indicating, that changes in common agricultural policy (CAP) support system should not result in US-producers or exporters having to carry the burden of such reforms.

What is the real situation:

First

The European Community suffers major trade deficits with both the United States and with Japan.

EC agriculture imports from the United States totalled 8.3 billion dollars in 1982 (down from 9.1 billion dollars in 1981) against 2.5 billion dollars in agricultural exports to the Americans.

The drop in EC imports combined with an increase in EC agricultural exports to the US reduced the EC agricultural trade deficit to 5.8 billion dollars, the smallest in 4 years but still sizeable.

The United States overall trade is in serious stagnant situation, but in surplus with the Community.

With both areas, i.e. Europe and Japan, the US agricultural component is in surplus.

The European Community is the world largest importer of agricultural products.

We import 21 percent of US farm exports.

In 1982, there was a general decline in global trade, resulting primarily from a general slowing of the world economy.

US exports of all products fell off by about 14 billion dollars or 6 percent.

American farmers suffered more than their share of this trade loss, and this is reflected in low commodity prices.

US-EC trade - FAS value - calendar year (in billion of US dollars)

	US exports to the EC		US imports from the EC	
	agricultural	total	agricultural	total
1979	7.8	42.0	1.9	33.6
1980	9.2	53.1	2.1	36.4
1981	9.1	50.1	2.3	41.5
1982	8.3	47.9	2.5	42.5

Second

Expenses of governments for agriculture have increased in the last years in Europe as well as in the USA.

EEC expenses for 1983 have been 13,5 billion/compared to about 20 billion dollars in the USA - PIK excluded.

If we compare expenses in agriculture of both countries, Europe and the USA, we obtain about the same level.

If we compare the figure of official financial means per working labour, we notice that the USA are largely beyond the EC.

Third

If imports of cereal substitutes of which a major part enters the EC duty- and levy-free from the United States are deducted from EC grain exports, the EC is not self-sufficient in cereals.

EC cereals exports are therefore the other side of the coin of cereal subsidy-imports.

Any limitation on EC cereals exports would therefore have an immediate bearing on EC imports of US corn/gluten feed and other feed ingredients from the USA.

The Community's exports of animal products are to a large extent the result of duty- and levy-free imports of soybeans and soybean products.

Here again, any limitation on EC exports of animal products would automatically reduce EC imports of the above-mentioned feeding stuffs from the US.

The US administration insists in pointing to EC export increases of wheat in terms of volume over recent years.

However, while the EC share in world trade of wheat and wheat products remained virtually unchanged at around 14 percent in the last 10 years, the US share has increased considerably from below 40 percent to more than 45 percent.

As US agriculture policy is focussing on the export market as a major source of US farm income, it is only normal that swings in world demand affect US agriculture more than agriculture in the EC.

The Community is importing heavily coarse grains and coarse grain substitutes, as well as cotton, soybeans and soybean meal.

If proof would be needed, those indications show that the EC is in fact not the reason for present US export problems.

As stated in many presentations of US government officials, the major reasons for sluggish US agriculture exports are:

- the high value of the dollar,
- the world-wide recession as a consequence of US policies,
- the earlier US embargo vis-à-vis the USSR.

The EC is endeavouring to limit the increase of production I will explain this to you by the example of this year 's price fixation.

Every year the Council of Ministers decides on farm prices and related measures for the forthcoming year.

With regard to the continual increase of production in Europe, decisive measures have been taken:

1. for the first time there has been no increase in farm prices in European currency (unit of account),
2. for some products a decline in prices has been decided as for instance for rapeseed 2% and wheat and barley 1%,
3. Drastic measures have been taken to cut down production.
The introduction of a tax on oils and fats which was so much opposed by our American partners, has not been accepted.

These decisions will mean:

an average increase in costs of 8 to 10% which means in real terms a decline in farm prices.

Let me tell you, that we, as representatives of the German farmers, do not accept these decisions, for they mean a loss in farm income. We will try everything to minimize these losses.

For my part, I am convinced that price policy in the EC is not responsible for the increase of production, as:

1. production capacity remains unchanged, the arable land remains the same and milk cow herds have not changed.

2. Increase of production is a result of better utilization of fertilizer, better seeds, plant protection, better feeding, tractors have replaced horses.

Farmers in Europe are now often accused by oecologists to destroy the soil and water resources - even though this is wrong, there is a great pressure on European farmers in dense populated areas.

3. Farm prices lowered in real terms and farm income per head is in real terms lower than 10 years ago.

Though we have 40% less farm labour employed, production per head is 80 % higher.

4. We have a large number of unemployment in the non-agricultural sector.

More than 13 million persons.

Even small farmers have no possibility to get out of agriculture.

At the beginning of the 70ies when farm prices went up and in our industry there was a demand of labour, we lost every year more than 6 percent of farm labour.

Now we only loose 1 - 1 1/2 percent.

These are the reasons why I don't believe that the level of farm prices is the reason for production development in Europe.

Measures which have been taken to cut down production, are as follows:

Quotas have been introduced, i.e. a milk producer receives 5 to 6 percent less quantity paid as in 1983.

For surplus production a tax of 75 to 100 percent is retained on the price.

Besides this cutting in milk quantities, there is also a premium paid for non produced milk.

Producers who will stop production - the whole production - for at least 10 years, will receive about 1/7th of the milk price for 10 years, up to a maximum level of 300.000 centweight\$per year.

This measure is mostly applied.

These measures are decisive and we have today violent discussions in the middle of our farmers.

We think that this is the best way to come back to a better milk market.

You may perhaps know that, except for cereals, prices for all farm products are lower in the EC than in the USA.

We hope that with the limitation of milk production, we will at least obtain that milk prices reach after all the US price level.

With regard to the policy of the EC, we can notice that the EC tries to obtain adequate prices for the farmers, adequate consumer prices and at the same time an open world market.

It is my opinion, that there should be every reason for a closer co-operation of farmers in the USA and Europe.

Farm structures, in particular the land per man ratio, are far more favorable in the USA as in Europe.

If we do not only consider the agricultural area but also the number of animals, the production of wine, fruit and vegetables, of eggs, poultry and pigs per labour unit, differences are smaller.

In Europe the family farm is a social-political aim.

I know, that even in the USA the family farm is for many people also a political aim.

Those, who are informed about the immigration history of the United States know, that the immigrants who settled 100 to 150 years ago in the Middle and the Western part of the United States received so much land as one family was able to cultivate.

Conception of sizes has changed since that time, but conception of aims has only been wiped away in some regions.

I think that we should stress the unity that links the US and Europe in the economic sector.

for example
Only farmers in the free part of the world, /in the USA, in Canada, New Zealand and Japan know, what is a free and democratic society of a social and economic order.

There are common roots in thoughts and motives of our actions between the USA and Europe.

The USA and Europe have to bear an important responsibility in our world regarding human rights but also in economics.

The USA and Europe are those parts of the world which are decisive for what is happening in the sector of food supply on world markets.

If Europe and the USA enter into a trade war, the winner will be the enemies of liberty, the Sovjets and some rare countries, which cannot afford to buy significant quantities of food on world markets.

Europe is on its way to pay its part for stabilizing production.

We appreciate the efforts the USA are doing in this direction.

I know, that the reproaches of the Americans towards the European foreign trade policy have been smoothed for those who are aware of the true arguments.

The important supplies from the USA to Europe are essentially originating from the large needs in animal production in Europe.

Animal production in Europe compared to the USA is as to the yields and production methods absolutely competitive.

That is why it must also be in the interest of the USA, that European agriculture remains viable.

I know, that this fact - as far as it is considered seriously - is not denied by our American partners.

I also know, that the Americans - as far as they are speaking in Europe - think little about market sharing.

In my opinion it is nonsense that in a world, where only a quarter of the population knows, what is real economic and democratic liberty, the representatives of economic and democratic liberty get into an unnecessary competition, which only serves those, who are unfree and are acting otherwise and unfairly.

I would be very happy, if you would understand this:

1. By pressure on producer prices in Europe, problems cannot be solved.
On the contrary: Pressure on prices leads in the short run in Europe without alternatives for farmers to higher production.
2. We Europeans want to maintain our agricultural structures of family farming.
We are against a continuous increase of always bigger and larger farms.
3. Since problems of unemployment in the non-farming sector are increasing and will remain as a result of more sophisticated technological production methods, there is no chance to solve problems by pushing people out of the agricultural sector.

Therefore a trade war between our countries would be the most stupid thing to start.