

ADDRESS BY MR. VILLAIN, DIRECTOR GENERAL FOR  
AGRICULTURE,, COMMISSION OF THE EUROPEAN  
COMMUNITIES, BRUSSELS  
TO THE

FRESNO CHAMBER OF COMMERCE

MAY 24, 1984

DEAR FRIENDS,

THANK YOU FOR YOUR INVITATION. I AM VERY PLEASED TO BE A FEW HOURS WITH YOU IN THE DEEP EARTH OF CALIFORNIA AND IN ONE OF THE RICHEST AGRICULTURAL AREAS OF THE WORLD. WITHOUT BEING TOO FORMAL, I WOULD LIKE TO MAKE JUST A FEW SHORT REMARKS.

FLYING OVER YOUR STATE THIS MORNING I HAD THE OPPORTUNITY TO VISUALISE SOME OF THE FIGURES ABOUT YOUR AGRICULTURE I SAW BEFORE COMING TO CALIFORNIA. THIS ~~AERIAL~~ VIEW OF YOUR LAND SHOWS THE DIFFERENCE OF FARM STRUCTURES BETWEEN OUR OLD EUROPE AND THE DEVELOPING FAR WEST OF THE UNITED STATES.

TO BRIEFLY ILLUSTRATE MY COMMENT, I CAN TELL YOU THAT THE ANNUAL CASH RECEIPT GENERATED BY YOUR 80.000 FARMERS IS ABOUT A TENTH OF OUR EUROPEAN CASH RECEIPT GENERATED ON 6.5 MILLION FARMS IN OUR 10 MEMBER STATES.

YOU NOT ONLY HAVE TREMENDOUS LAND RESOURCES, ~~BUT~~ ALSO OTHER NATURAL RESOURCES WE MISS IN EUROPE. MOST OF YOUR CULTIVATED AREA IS IRRIGATED. IN THE UNITED STATES, YOU HAVE GAS AND OTHER NATURAL RESOURCES WHICH ALLOW YOU TO GET AGRICULTURAL INPUTS AT LOWER COSTS THAN OUR FARMERS.

IN SPITE OF THE TREMENDOUS EFFORTS THAT THE EUROPEAN COMMUNITY HAS MADE SINCE THE ESTABLISHMENT OF THE COMMON AGRICULTURAL POLICY (CAP) TO IMPROVE OUR FARM STRUCTURES AND OF THE GOOD PROGRESS WE HAVE BEEN ACHIEVING IN THE SIXTIES AND THE SEVENTIES, WE STILL ARE VERY FAR FROM YOU AND I MAY TELL YOU THAT MOST OF MY FARMERS WOULD CERTAINLY BE READY TO EXCHANGE IMMEDIATELY THEIR FARM LAND AGAINST YOURS, IF BY ANY CHANCE SOME OF YOURS WERE MAKING SUCH A PROPOSAL.

NEVERTHELESS, I KNOW THAT EVEN IF THE STANDARD OF LIVING OF YOUR FARMERS IS MUCH HIGHER THAN OURS AND IF THERE IS A DIFFERENCE OF MAGNITUDE IN THE OPERATIONS, YOU ARE FACING THE SAME KIND OF PROBLEMS AS OURSELVES.

DURING THE SEVENTIES, THE RAPID GROWTH OF WORLD AGRICULTURAL EXCHANGES HAS STIMULATED THE PRODUCTION IN OUR COUNTRIES, BUT SINCE 1981 THERE HAS BEEN A RADICAL CHANGE. NEARLY ONE FOURTH OF THE CALIFORNIAN AGRICULTURAL PRODUCTION IS EXPORTED AND THE ECONOMIC RECESSION IN MOST OF THE WORLD COUNTRIES HAS DIRECTLY AFFECTED THE EXTENSION OF THE EXPORT MARKET. YOU HAVE TO ADAPT TO THE CHANGING PATTERN OF THE WORLD MARKET LIKE WE ALSO HAVE IN SOME OF THE PRODUCTS WHERE WE HAVE AN OVERSUPPLY. BUT, FOR THE TIME BEING, IF WE BOTH ARE IN THE SAME FRAMEWORK, I SEE TWO BASIC DIFFERENCES BETWEEN YOUR AND OUR SITUATION. WE ARE NOT SELF-SUFFICIENT AND ARE PRODUCING IN EXCESS OF OUR DEMAND FOR SOME PRODUCTS ONLY, WHILE MOST OF YOUR PRODUCTS ARE EXPORTED.

SINCE TWO YEARS, THE DOLLAR HAS BEEN CONSIDERABLY APPRECIATED VIS-A-VIS OTHER CURRENCIES, WHICH GREATLY AFFECTS YOUR COMPETITIVENESS ON THE WORLD MARKET AND, PARTICULARLY, SINCE A LOT OF PRODUCTS YOU ARE PRODUCING HERE ARE HIGH VALUE PRODUCTS COMPARED WITH THE BASIC COMMODITIES LIKE SOYBEAN OR FEED GRAINS.

ON THIS MATTER, I WOULD JUST LIKE TO QUOTE THE CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE IN ITS HIGHLIGHTS OF CALIFORNIA'S EXPORTS FOR THE CALENDAR YEAR 1982:

"MOST PROMINENT AMONG THE EXPLANATIONS OF THE EXPORT DECLINE IS THE STRONG U.S. DOLLAR, CALCULATED TO BE 'OVERVALUED BY 20 PERCENT OR MORE IN RELATION TO THE CURRENCIES OF ITS MAIN TRADING PARTNERS,' BY AN INDEX OF THE DOLLAR'S VALUE AGAINST 15 MAJOR CURRENCIES. A STUDY BY USDA ECONOMISTS SHOWS THE GROWING STRENGTH OF THE DOLLAR ALONE OVER THE LAST TWO YEARS HAS REDUCED U.S. FARM EXPORTS BY ABOUT \$3 BILLION. ALSO, DEPARTMENT OF COMMERCE DATA SHOW THAT THE DECLINE IN NET EXPORTS FROM THE U.S. HAS BEEN A MAJOR FACTOR DRAGGING DOWN THE ECONOMY OVER THE PAST THREE YEARS."

UNFORTUNATELY, WE ARE IN THE SAME BOAT AND FACE THE SAME KIND OF PROBLEMS IN THE MAJOR AREAS WHERE WE HAVE BEEN EXPORTING ON WORLD MARKETS. JUST AS AN EXAMPLE, OUR DAIRY PRODUCTS EXPORTS DECREASED DRASTICALLY SINCE 1981. OUR WHEAT EXPORTS STABILISE . . .

WE ARE ADAPTING OURSELVES TO THE NEW TRENDS OF THE WORLD ECONOMY, BUT UNFORTUNATELY WE ARE TOO OFTEN THE SCAPEGOAT, ACCUSED OF BEING RESPONSIBLE FOR MOST OF YOUR PROBLEMS:

- WE ARE ACCUSED TO DESTABILISE ~~AND~~ THE WORLD TRADE IN AGRICULTURAL PRODUCTS. MAY I REMIND YOU OF THE FACT THAT WE ARE THE MAJOR IMPORTER OF FOOD PRODUCTS IN THE WORLD. WE ALSO ARE THE BEST CUSTOMER OF THE US/BUYING MORE THAN ONE QUARTER OF YOUR TOTAL AGRICULTURAL EXPORTS.

WE CERTAINLY ARE YOUR BEST CUSTOMER, SINCE WE HAVE A TREMENDOUS TRADE DEFICIT WITH THE UNITED STATES OF ABOUT 5 BILLION DOLLARS. WE ARE ALSO A RELIABLE CUSTOMER BUYING REGULARLY AND PAYING CASH, WHICH IS A GREAT ADVANTAGE IN THIS PERIOD OF TROUBLED ECONOMY.

- WE ARE ACCUSED TO BE PROTECTIONIST. MAY I REMIND YOU THAT MOST OF THE CALIFORNIAN AGRICULTURAL EXPORTS TO THE EEC COME WITHOUT VARIABLE LEVIES AND UNDER LOW CUSTOM TARIFFS. MAY I ALSO REMIND YOU THAT YOU HAVE A GATT WAIVER AND THAT YOU ARE USING IT TO PROTECT YOUR SUGAR, TOBACCO, DAIRY AND LIVESTOCK INDUSTRY AGAINST THE IMPORTS FROM OTHER COUNTRIES.
- WE ARE ACCUSED TO HELP OUR FARMERS THROUGH VARIOUS INTERNAL PROGRAMS. MAY I REMIND YOU THAT THE LEVEL OF THE STATES' <sup>PUBLIC</sup> EXPENSES DEVOTED TO THE AGRICULTURAL SECTOR ARE CURRENTLY BY FAR GREATER IN THE US THAN IN EUROPE (ABOUT THE DOUBLE IN 1983).
- WE ARE ACCUSED TO STIMULATE OUR FARM EXPORTS THROUGH VARIOUS ASSISTANCE PROGRAMS. MAY I REMIND YOU ABOUT YOUR VARIOUS EXPORT ASSISTANCE PROGRAMS (PL 480, BLENDED CREDIT, PIK EXPORTS . . .) AND THE INFLUENCE OF YOUR INTERNAL PROGRAMS ON THE LEVEL OF YOUR EXPORTS.
- ~~FINALLY~~, WE ARE ACCUSED OF NOT ADAPTING OUR POLICIES TO THE EVOLUTION OF THE WORLD MARKET AND OF FOLLOWING LINES WHICH ARE ENCOURAGING EXCESS PRODUCTION, WE ARE THEN DUMPING ON THE WORLD MARKET.

FIRST, AS I MENTIONED TO YOU BEFORE, WE ARE STILL AND BY FAR NOT ONLY THE LARGEST WORLD IMPORTER OF AGRICULTURAL PRODUCTS, BUT WE ALSO HAVE THE LARGEST TRADE DEFICIT IN THIS AREA.

SECOND, OUR COMMON AGRICULTURAL POLICY HAS BEEN ESTABLISHED AFTER THE SECOND WORLD WAR WHEN WE NEEDED A TERRIBLE EXPANSION IN OUR FOOD PRODUCTION FOR OUR OWN CONSUMPTION. IT HAS BEEN ESTABLISHED IN THE BACKGROUND OF THE SERIOUS LACK OF FOOD SUPPLY WE HAD TO SUFFER DURING THE WARS.

THIS POLICY HAS BEEN ~~SUCCESSFUL~~ <sup>SUCCESSFULL</sup> ~~SUCCESSFUL~~ BUT NOT TO THE EXTENT THAT WE HAVE BEEN ABLE TO REACH SELF-SUFFICIENCY.

NEVERMIND, TAKING INTO ACCOUNT THE FACT THAT THERE WAS A MAJOR CHANGE IN THE WORLD ECONOMY, WE HAVE RAPIDLY ADAPTED OUR PRODUCTION POLICY TO THE CURRENT SITUATION AND CHANGED RADICALLY OUR FORMER ORIENTATION FROM AN OPEN-ENDED GUARANTEE OF AGRICULTURAL PRODUCTION TO A LIMITED GUARANTEE.

TO ILLUSTRATE THIS TALK, I WOULD LIKE TO BRIEFLY DESCRIBE TO YOU THE MAIN ASPECTS OF THE RATIONALISATION OF THE MARKET ORGANISATION WE PUT IN PLACE IN MARCH 1984 FOLLOWING A NEW POLICY TREND WHICH HAS BEEN STARTED IN 1981. WE HAVE ADOPTED THE FOLLOWING MEASURES:

- A GREATER CONTRIBUTION BY THE AGRICULTURAL PRODUCERS TO THE COST OF DISPOSAL OF THEIR PRODUCTS. THIS MEANS A REINFORCEMENT OF THE GUARANTEE THRESHOLD POLICY,
- A RESTRICTIVE PRICE POLICY WHICH FOR GRAINS MEANS A FURTHER PROGRESSIVE REDUCTION IN THE GAP BETWEEN THE COMMUNITY PRICES AND THOSE OF ITS PRINCIPAL COMPETITORS,

- AN IMPROVEMENT OF MARKET MANAGEMENT TO PERMIT A FLEXIBLE REACTION TO DEVELOPMENTS IN THE MARKET SITUATION,
- A DECREASE IN AIDS AND PREMIUMS,
- AN EXAMINATION OF THE REGIMES APPLICABLE TO CERTAIN IMPORTS WITH A MEANS TO ADAPT THEM TO THE MARKET SITUATION IN ACCORDANCE WITH THE INTERNATIONAL AGREEMENTS AND IN LIGHT OF THE GREATER DISCIPLINES REQUESTED OF THE EEC PRODUCERS.

THE EUROPEAN AGRICULTURAL COUNCIL RECENTLY REACHED AN AGREEMENT ALONG THE LINE OF THE PROPOSALS OF THE COMMISSION. THE MAIN FEATURES OF THESE AGREEMENTS WILL BE:

- A TOUGHER PRICE POLICY. PRICES OF MOST OF THE AGRICULTURAL PRODUCTS WILL BE REDUCED BY 1% IN 1984 (CEREALS, BEEF, SHEEP MEAT . . .).
- A REINFORCEMENT OF THE GUARANTEE THRESHOLD POLICY FOR PRODUCTS LIKE FRUITS AND VEGETABLES.
- THE ESTABLISHMENT OF A QUOTA FOR DAIRY PRODUCTION IN THE MEMBER STATES. (1981 PRODUCTION LEVEL + 1% WHICH MEANS A 7.5% DECREASE COMPARED TO 1983).

THESE MEASURES, WE HOPE, WILL BE CONTRIBUTIONS TO SOLVE CURRENT WORLD TRADE PROBLEMS IN AGRICULTURE.

IN CONCLUSION I WOULD LIKE TO MENTION UPON THE TRADING RELATIONSHIPS WE HAVE DEVELOPED WITH THE UNITED STATES FOR SOME OF THE COMMODITIES WHICH ARE OF GREAT INTEREST FOR YOUR STATE AND FOR YOUR REGION.

FOR INSTANCE FOR ALMONDS, IN SPITE OF A LARGE PRODUCTION AREA IN OUR MEDITERRANEAN REGIONS WE HAVE A LOW IMPORT PROTECTION. OUR CURRENT RATE OF IMPORT DUTY IS ONLY 7%. DURING THE PAST FIVE YEARS YOUR EXPORTS TO THE EEC HAVE GROWN FROM 30,000 TO 45,000 TONS WHILE OUR INTERNAL PRODUCTION HAS BEEN PRETTY STABLE, AROUND 270,000 TONS.

FOR RAISINS WE ARE CURRENTLY APPLYING TO THE GREEK PRODUCTION AN INTERNAL MARKET ORGANISATION WHICH IS SIMILAR TO THE ONE APPLIED BY GREECE BEFORE IT JOINED THE COMMON MARKET. SHIPMENTS OF GREEK RAISINS TO THE OTHER EEC COUNTRIES HAVE SO FAR BEEN VERY STABLE. THEY STILL ARE CLOSE TO 80,000 TONS LIKE IN 1976.

TOTAL IMPORTS OF RAISINS FROM THIRD COUNTRIES HAVE ALSO BEEN STABLE DURING THIS SAME PERIOD. BUT SINCE A FEW YEARS US IMPORTS HAVE BEEN DECREASING DUE TO THE HIGH PRICES OF THE US RAISINS. BETWEEN 1981 AND 1983 IMPORT PRICES OF US RAISINS ON THE EEC MARKET HAVE BEEN FAR ABOVE THOSE OF OTHER COMPETITORS. IN 1982 THEY WERE ALMOST TWICE THE ONE OF OTHER EXPORTERS TO THE EEC (206 UCE PER 100 KILOS, COMPARED TO 119 FOR AUSTRALIA AND 104 FOR IRAN).

SO IN THE EEC MARKETS YOUR EXPORTS HAVE BEEN PARTLY DISPLACED TO THE BENEFIT OF OTHER EXPORTERS FROM MIDDLE EAST AND SOUTH HEMISPHERE.

FINALLY, I WOULD LIKE TO INTRODUCE AN OPTIMISTIC NOTE. TAKING AN EXAMPLE OF THE GOOD RESULTS THAT COOPERATION HAS INSTEAD OF CONFRONTATION. AS YOU KNOW, WINE IS OF GREAT INTEREST TO US, BECAUSE IT IS ONE OF OUR SECULAR AND TRADITIONAL EXPORTS AND ONE OF THE ONLY AREAS WHERE WE CAN PARTLY CORRECT THE TRADE IMBALANCE BETWEEN OUR COUNTRIES.

SINCE SEVERAL YEARS, WE HAVE CONDUCTED BILATERAL DISCUSSIONS TO HARMONIZE OUR WINE PRACTICES AND WE SUCCEEDED

RECENTLY WHEN WE EXCHANGED LETTERS ON THOSE PRACTICES. WE ALSO RECENTLY CHANGED SOME OF OUR LABELING REQUIREMENTS TO HELP OUR EXPORTERS AND WE REMOVED AN IMPORT TAX BASED ON REFERENCE PRICE.

INSTEAD OF THE DIFFICULTIES YOU ARE ENCOUNTERING IN THE WINE MARKET BECAUSE OF THE CHANGE IN COMPETITIVENESS DUE TO THE INCREASE OF THE DOLLAR VALUE VIS-A-VIS OTHER CURRENCIES, YOUR WINE EXPORTS TO OUR MEMBER STATES INCREASED TREMENDOUSLY IN THE PAST YEARS. ACCORDING TO THE HONORABLE JOHN WALKER, ASSISTANT SECRETARY FOR TREASURY, THE TALKS BETWEEN THE US AND THE EEC HAVE ENABLED US WINE EXPORTS TO EXPAND FROM 5,000 GALLONS TO MORE THAN 2 MILLION GALLONS ANNUALLY. THEY HAVE ENORMOUSLY IMPROVED US STANDARDS FOR AMERICAN WINES.

COOPERATION AND MUTUAL UNDERSTANDING WILL NO DOUBT BE MORE FRUITFUL FOR OUR TWO NATIONS AND FOR THE BENEFIT OF OUR FARMERS THAN TRADE WAR. IT IS THE REASON WHY I HOPE THAT IN THE NEAR FUTURE WE WILL BE ABLE TO FURTHER DEVELOP SOME COMMON APPROACH WHEN FACING THE SAME PROBLEMS.