

GREEN EUROPE

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

**THE CONTRIBUTION OF THE
COMMON AGRICULTURAL
POLICY TO THE
ECONOMIC DEVELOPMENT
OF THE COMMUNITY**



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A separate chapter of the Commission's Report on "The agricultural situation in the Community" (1) in 1981 is devoted to the contribution of the common agricultural policy to the economic development of the Community. In view of their economic importance we are reprinting the complete text in question in this issue of "Green Europe".

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The idea that the common agricultural policy contributes to the economic development of the Community calls perhaps for some explanation. For many citizens see agriculture as one of the economic sectors which hamper rather than promote development and the common agricultural policy as a set of schemes which serve to perpetuate this state of affairs rather than overcome it. Both these judgments are wrong.

It is true that despite the fact that some farms in the Community are as efficient as any in the world, the same cannot be said of the agricultural sector as a whole; but this does not mean that agriculture is an ailing industry. To appreciate properly the present state of agriculture achieved under the CAP, it is important to bear in mind the extent to which some of the member countries, through protection and intervention, had isolated farming from the rest of the economy—and indeed the rest of society—before the inception of the common market.

By its moderate price decisions, its vigorous marketing outside the Community and the tailoring of schemes concerning structures to the specific needs of individual regions and farms, the common agricultural policy has brought about major structural changes which constitute a substantial and permanent contribution to the economic development of the Community. This far-reaching improvement has been achieved gradually over the past 20 years. It has, of course, been less spectacular than the 'butter mountains' and 'wine lakes' which have so often made the headlines in the press; but it has been a revolution none the less — a 'silent revolution' without serious upheaval, though some generations of farmers have not escaped unscarred.

This aspect of the common agricultural policy is crucial because it is only on the basis of agricultural structures properly prepared to absorb the benefits of technical and biological progress that a really efficient prices and markets policy can be forged. However, contrary to some criticism, the policy is not a set of schemes geared ruthlessly to productivity gains. Even if the main instrument of the CAP is and remains prices and even if, until recent years, the structures policy tended to be a policy supporting — rather than causing — structural change, commentators must now concede that for some years the policy has become more active and more dynamic, providing aid for the least-favoured farms and regions, while avoiding measures liable to hamper action under the markets policy aimed at improved alignment of supply and demand. Agriculture is thus playing a part in the economic development of the Community as regards not only growth but also prices, the balance of trade and regional equilibrium.

The contribution of agricultural production to general economic growth

The percentage accounted for by agriculture in the Community's gross value-added at market prices is relatively small and steadily declining. In 1979 it was about 3.5%, compared with some 7% in 1960. These figures do not tell the full story, however. The above percentages have to be seen first of all in relation to other sectors of the economy: in 1979 the value-added accounted for by agriculture in the Community was roughly equal to that of the chemical industry plus that of the plastics industry, both of which are regarded as major industries. It should also be stressed that although the percentage accounted for by agriculture in the overall economy of all the Member States is falling, its degree of integration is progressively increasing, both upstream, in respect of inputs, and downstream, in the agri-foodstuffs industries. This means that, as a result of increasing specialization by individual farms, operations which previously took place on the holding have been transferred elsewhere.

This is true not only for the products consumed on the farm but also for the products manufactured on the farm: less and less agricultural produce is being consumed unprocessed; over two-thirds of agricultural production in the Community is now processed and marketed in the sectors downstream from agriculture, or exported. In 1979 all the 'agriculture' and 'foodstuffs' branches together accounted for about 7.5% of the gross domestic product.

None the less, this group's share of the Community's gross domestic product has also declined steadily over the past 20 years: in 1960 it had been about 12.5%.

The question therefore arises as to whether agriculture must be regarded as a declining industry or not. There is no straightforward answer. It is a matter of different growth rates. Over the past 20 years the gross value-added of agriculture has increased at a rate of just under 7% a year, while the economy as a whole has been developing at a higher rate, 10.5%: Does a relative slowdown of growth signify economic decline? That is not really the question. Community agriculture is not on the decline; it is undergoing a change, which is in fact a sign of vigour. With the impetus of constant research and invention, technical and biological progress has spread quite quickly in agriculture, bringing about a remarkable increase in both crop and livestock yields.

In an initial phase, encouraged by the introduction of a markets and prices policy, production expanded without encountering any major economic obstacle, making up some of the food deficit in the Community, at least as far as the products necessary for the survival of the Community population were concerned.

In a second phase, quite a short one in the case of some items, such as milk products, the problem of outlets arose, aggravated because at the same time internal consumption was slowing down as primary food needs were satisfied, population growth lost momentum, and crisis conditions developed in the 1970s. At this point, market management more closely related to actual market forces, cautions price decisions and action to support, then guide, structural development led to a significant and far-reaching rationalization of production.

This process, which constitutes a permanent contribution to the economic development of the Community, has been reflected in three main trends: a transfer of production factors, a reorganization of the factors remaining in agriculture and increased demand for supplies from other economic sectors.

The production factors transferred have included land as well as labour.

The utilized agricultural area (UAA), i.e. not counting forests, has been contracting at the rate of about 400 000 hectares, or 0.4% a year, for the past 20 years; the total UAA decreased from 101.3 million ha in 1960 to 93 million ha in 1980.

The transfer of labour has, however, been far more drastic. From 1960 to 1973 the total work-force employed in agriculture in the six original Member States fell from 15.2 million to 8.2 million. This 7 million decrease is equivalent to a 54% drop or an annual rate of decline of 4.6%. To put it more graphically, this means that farmers and farm workers left the land in the Six at the rate of one a minute between 1960 and 1973.

Between 1973 and 1979, the number of farmers and farm workers in the nine countries declined further, by nearly one and a half million, from 9.4 million to 7.9 million, and this trend included Member States like the United Kingdom, where the share of total employment accounted for by agriculture fell to 2.5%, a level thought by some experts to be an absolute minimum. However, the rate at which farmers and farm workers have been leaving agriculture has sharply declined, to 2.8% per year, which is not surprising in view of the severe economic crisis with high unemployment in the Community. It would also be a mistake to infer that the drift from the land is solely a reflection of a net transfer of farmers and farm workers to other industries in the economy; natural mortality, retirements, and decisions not to enter farming are relevant as well as transfers to other occupations. It has in fact been observed that, with variations that are of course quite wide from Member State to Member State and from age group to age group, the trend in departures and decisions not to enter farming has been general, which means that the four ways in which the number of farmers and farm workers can be reduced have all played a part.

The increase in value-added and the decrease in employment have together generated an increase in productivity in agriculture putting it among the leading sectors of the Community economy in terms of productivity gains: over the past 20 years average labour productivity in the Community has risen by less than 4% per year, while in agriculture it has increased at a rate of more than 6% per year (although this trend has been by no means uniform from region to region, thus accounting for the widening of regional differentials in agricultural incomes). Moreover, whereas the annual growth of productivity in the general economy in recent years has been about 2%, the figure for agriculture is double this.

It should be stressed, however, that the labour component per unit produced, i.e. the number of persons employed to produce 1 000 units of account, is greater in agriculture than in any other branch of the economy, although thanks to productivity drives in agriculture it has decreased substantially.

Whereas in 1970-73 it took 221 persons in agriculture to produce 1 000 units of account, compared with 103 in the economy in general, in 1979 it took 153 in agriculture against 84 in the economy in general, i.e. the agriculture/general economy ratio fell from 2.1:1 in 1970-73 to 1.8:1 in 1979.

The rationalization of the agricultural sector, which is one contribution of agriculture to the economic growth of the Community, is also reflected in a change in the pattern of allocation of factors of production, in this sector, prompted by a wide range of causes, some 'upstream' of the sector and some 'downstream'; because their operations have been more and more closely associated with those of the processors downstream, certain branches of agriculture have altered their production structures to meet the needs of these important customers (large-scale livestock farming, integrated slaughterhouses, etc.).

On the input side, technical progress (machinery, fertilizer, pesticides, etc.) offers obvious benefits, but the costs involved are also high and can be justified only by farms large enough to achieve the necessary economies of scale.

The trend towards larger farms is not the result of an overall increase in the total agricultural area, which is in fact declining, but of transfers to other farmers of land by farmers retiring or at least leaving agriculture.

The number of holdings in the size category 1 to 20 ha is on the decrease in all the Member States of the Community except the United Kingdom, where there is a revival of small farms of between 1 and 5 ha, which are large kitchen gardens rather than commercial holdings. Conversely, the number of farms exceeding 50 ha is on the increase in all Member States except the United Kingdom, although here the rate of decrease of holdings over 50 ha is the lowest of all size categories over 5 ha.

Although it is obviously desirable to see such restructuring taking place, the distribution of the UAA is still far from ideal; in 1975 42% of holdings in the Community were in the under 5 ha size category but cultivated only 6.2% of the total UAA, whereas 6.3% of holdings with over 50 ha farmed 42% of the UAA.

The structural change, brought about primarily by technical and biological progress and featuring a contraction of the agricultural labour force and a restructuring of farms, is also accompanied by a greater dependence of agriculture on other branches of the economy. The spurt in agricultural demand for supplies from other economic sectors has generated an important contribution to the economic growth of the Community through the investment accelerator.

This can be measured by reference to gross fixed capital formation and intermediate consumption.

As far as gross fixed capital formation is concerned (in agriculture GFCF covers buildings, agricultural machinery, livestock, etc.), there have been two distinct phases: from 1960 to 1970 GFCF in the general economy showed an annual growth rate of 9.7% and from 1970 to 1980 the growth rate was 11.2%; the GFCF in agriculture increased by only 4.8% from 1960 to 1970, but then from 1970 to 1980 the annual growth rate reached 12.6%. Not only has it more than doubled in the past decade, the growth rate of GFCF in agriculture has been higher than for the economy as a whole.

But the contribution of agriculture to economic growth is also evidenced by the substantial increase in the sector's intermediate consumption.

Over the past ten years the value of final agricultural production has increased at an average annual rate of just over 9%; but the value of intermediate consumption in agriculture has risen at a rate of around 11%. Intermediate consumption currently accounts for about 45% of the value of final production in agriculture. The largest item of intermediate consumption is feedingstuffs (46% in 1979), followed by fertilizers (14%) and maintenance and repair of small equipment (about 12%). Although most items of intermediate consumption rely on industries such as the chemicals, energy, machinery and services industries, it might well be thought that the input feedingstuffs is simply an output of the farm sector returning with value-added.

Actually the situation is more complex since, irrespective of the fact that modern feedingstuffs technology has led to the creation of a specialized industry, not all the raw materials which go into the manufacture of feedingstuffs come from Community agriculture. They contain not only imported agricultural products (maize, soya, manioc, corn gluten feed, etc.) but also chemicals (trace elements, antibiotics, etc.).

Agriculture cannot therefore be regarded as an ailing industry but as a sector undergoing change. This steady and relatively smooth process is a contribution to the economic growth of the Community on two counts.

Firstly, it avoids a situation in the Community where a sector with virtually zero growth would require drastic action after a certain point, with social consequences similar to those which have caused so many difficulties in the steel and textile industries.

Secondly, the change in agriculture is also coming about through an increase in its demand for goods from other industries, in which it has the effect of stimulating investment.

Admittedly, some may say that this development is still too slow and that while the performance of agriculture, in terms of speed of change, may be remarkable, in terms of absolute value it is still well below the average for the economy, let alone the optimum level. That is true for some aspects; but the starting point of some of the national farming industries — cut off from the rest of the economy for decades — should be borne in mind, and it should also be considered that a faster acceleration, for instance in the rate at which farmers and farm workers have been leaving the land, would have had counter-productive economic and social effects, given the European economic situation since the end of the 1970s. In this connection, it must be acknowledged that some of the money from the Community budget spent on the common agricultural policy forms part of the contribution of Community agriculture to the shared effort to overcome the crisis of the late 1970s and early 1980s.

Farm price policy: contribution to economic development

Prices remain the key instrument of the CAP. The actual levels, the relativities between farm prices themselves and between farm prices and prices outside agriculture and the modulation of prices on some markets on the basis

of the quantities produced not only enable supply to be directed within certain margins but also, *ipso facto*, tend to encourage certain production structures and discourage others. The price instrument is fully effective thanks to the operation of the various price and common market organization mechanisms established for each market.

The fixing of common agricultural prices at certain levels and in accordance with certain relativities thus has repercussions on the supply/demand for agricultural products, both internally and outside the Community, and also on Community finance, the structures of agricultural production (at regional level as well) and the economy in general. Here again there is no getting away from the fact that the CAP has made and continues to make an important contribution to the economic development of the Community as regards both production and consumption.

From the production viewpoint, if we analyse the changes in gross domestic product by volume, not value, and thus determine the GDP deflator and the deflator of the gross value-added in agriculture, we see that the latter has risen over the past 20 years at an annual rate of about 5%, while the Community GDP deflator has increased by about 6.5%.

If this development is calculated not over the past 20 years but from 1973, the year of the first enlargement of the Community, to 1980, when a more cautious price policy was implemented, the difference is even greater. Whereas the GDP deflator increased by 9.7% per year, the deflator of the gross value-added of agriculture rose by only 6.5%.

Some may, at first sight, find these rates surprising considering that, generally speaking, in terms of national currencies, the rise in common prices is fairly close to the annual rate of inflation. But the common prices apply to all intents and purposes to production (usually the wholesale stage), whereas the above figures relate to gross value-added at market prices, i.e. gross final production minus intermediate consumption, or, roughly speaking, production costs. Intermediate consumption is an item which is growing more rapidly than final production in terms of both volume and implicit price.

We have seen that the process of structural development in agriculture has tended to increase the demand for supplies from other branches of the economy, i.e. to increase the volume of intermediate consumption, but we must also note that the deflator of intermediate consumption is increasing faster than that of final agricultural production.

Whereas from 1973 to 1979 the latter rose from 100 to 162, the deflator of intermediate consumption in agriculture rose to 175, which means that the price/cost ratio has swung against agriculture - 0.96:1 - , even if the prices of farmers' inputs have risen more slowly than the GDP deflator (180.2).

As regards consumption, it should be noted that agriculture is playing a part in fighting inflation in the sense that the growth of the consumer prices index for food and drink is less than that of the general consumer prices index. From 1973 to 1979 the latter rose by 11.3% a year on average, while the food prices index increased by only 10.8% a year. But it should be stressed that the prices actually received by farmers rose by only 8.4% a year during the same period. In other words, the price of the non-agricultural component of foodstuffs and beverages rose faster than the agricultural component.

The CAP may have a direct effect on producer prices in agriculture, but it does not influence either the food processors or the marketing of food and drink in the same way. It may therefore be concluded that agriculture plays a part in the economic development of the Community from the point of view of prices as well — both producer and consumer prices.

The contribution of policy on trade in food to economic development

Although the Community has a large agricultural sector, it is not in fact self-sufficient in agricultural and food products. It has a heavy deficit, which may appear to be a handicap to economic development. However, firstly this handicap is a relative one rather than an absolute one and secondly, thanks to the CAP, the situation is now much better than was once the case.

Measures under the CAP have concentrated on three main aims: to reduce the deficit, stabilize prices and ensure reliable supplies. The latter two objectives are, incidentally, laid down in the Treaty of Rome (Article 39). However, thanks to a flexible policy involving, among other things, commercial agreements, the CAP has not prevented the Community from making a contribution to the harmonious development of world trade, an objective laid down in Article 110 of the Treaty.

Reduction of the deficit: it may seem surprising to talk of an agri-foodstuffs deficit when the media generally stress the Community's agricultural 'surpluses'. There are two basic reasons for the deficit in the Community: firstly, the land in the Community cannot, as technical knowledge stands, produce all the agri-foodstuffs Europeans feel they need (tea, coffee, cocoa, exotic fruits, etc.) and, secondly, technical and biological progress has led to the development of certain forms of production, especially in stock-farming, which have made the Community dependent on non-member countries for products like maize, soya and manioc. It should be stressed, however, in this connection that the Community's policy on external trade has strengthened this trend by facilitating certain imports.

The CAP has made an effective contribution to the development of the Community by reducing the deficit in the balance of agricultural trade in respect of the products on which it exerts a direct influence, i.e. basically the staple foods in the European consumer's diet.

It should also be emphasized that the agri-foodstuffs deficit is not an absolute handicap to the economic development of the Community, for in agriculture, as in other sectors, the Community is a major processor of basic products, which it re-exports as foodstuffs with value-added.

Price stability: one of the major contributions of the CAP to the balanced development of the Community economy is stability of prices. Mainly by a levy system at frontiers, the CAP has managed to shield the Community from the major price fluctuations which occur on world markets in raw materials. It is obvious that the certainty, during a particular marketing year at least, that fluctuations in the prices of the main agricultural products will be kept within relatively narrow margins is a major asset, particularly for those responsible for drawing up medium-term production, consumption and trade plans.

Conversely, it may be thought that the insulation of Community agriculture from international competition may, in the long run, have harmful effects. This criticism may be answered in the following way.

When the CAP was introduced the structural development of the agricultural sector in the individual Member States differed widely and the levels of external protection varied from one country to another.

Harmonization was therefore needed, and protection at the frontiers in the form of import levies enabled the Community agriculture to carry out smoothly the very important structural reforms which helped improve its productivity and progressively bring it more into line with the major exporting countries.

The Community has thus striven over the past 20 years, and still strives to meet the challenge of international competition and to discharge its responsibility as a leading world commercial power.

Progress is bound to be slow, and obstacles cannot be removed overnight.

However for some products, there have been some interesting developments: in 1973/74 world prices were higher than Community prices for common wheat, rice, barley, maize, sugar, olive oil and oilseeds; in 1974/75 for rice, sugar and oilseeds. Some observers considered this period quite exceptional; yet in 1980/81 world sugar prices were again higher than Community ones and refunds on other products were substantially reduced.

To dispel any remaining doubts about the Commission's intentions in this connection, the Commission Report on the Mandate of 30 May 1980 may be quoted: 'The Community's objective should be the gradual alignment of guaranteed prices on prices ruling on a better organized world market'. The report adds that this would make it possible to take advantage of increases in productivity and avoid abnormal situations under which excess profits are guaranteed in advance.

Reliable supplies: the CAP also contributes in this respect to the economic development of the Community by a supplies policy preventing major problems arising such as those currently affecting the energy sector. By means of a policy aimed at improving the rates of self-supply for the products which are vital for the existence of 260 million Community consumers, diversifying the Community's

sources of supply, establishing reciprocal commercial relations with the Community's suppliers — leading to economic interdependence — the Community has succeeded in assuring its consumers of reliable supplies in terms of both quantities and, as far as possible, prices.

Europeans, at least the generations who did not live through the war or the immediate post-war period, tend to be incredulous when the problem of the risk of food shortages in Europe is raised. They are forgetting several points: secure supplies have not come about by chance or even as a result of the free play of market forces — they are a result of the CAP; the balance remains delicate, however; in agriculture a few percentage points either way rapidly lead to problems of shortages or surpluses, and, when this happens, prices fluctuate far more widely than the relevant quantities.

At the international level there have, none the less, been some supply difficulties over the past ten years, despite the efforts of the CAP, e.g. the United States embargo on soya exports in 1973 and the sugar crisis in 1975. This is why there must be no relaxation in vigilance in this matter.

The contribution of regional agricultural policy to economic development

In connection with the above analysis it must also be borne in mind that there are wide disparities in agricultural incomes between the regions of the Community and that these disparities are growing even wider despite some progress in Ireland and in the north-east of Italy. In this connection, the first important fact to note is that the strong regions of the Community enjoy, by the nature of their products (cereals, milk and sugar), more support than the less-favoured regions, particularly the Mediterranean areas, where fruit and vegetables and wine are the staple products. Secondly, the common organizations of markets tend to give a privileged place to the richer producers, who are mainly concentrated in the more developed regions. However, in recent years, greater attention has been given to Mediterranean-type products or more generally to the areas which have economic or natural handicaps to contend with.

For example, a durum wheat acreage premium may be claimed only in some southern regions of the Community, and the milk co-responsibility levy is varied on the basis of regional characteristics. These are examples of a tentative effort to use the price instrument to help certain regions.

Another example of the way in which the regional dimension is taken into account is the diversification of table-wine prices according to types which are representative of certain given regions. The varieties of tobacco covered by the common organization of the market are also crops typical of certain regions of the Community. Lastly, the policy of using the price instrument to help certain regions was given clear expression in 1978, during discussion of the 'Mediterranean package', which included the introduction of a special common organization of the market for certain processed fruits and vegetables.

The guidance work being carried out under the common agricultural policy has contributed to the structural development of the Community. Although the actual sums spent are still relatively small, the action taken under this heading in the last few years has given more emphasis to the solution of certain specific problems arising in the less-favoured regions. Before the main lines of the action of the Community in this area are summarized, it is important to stress clearly the major constraint which policy on structures must nowadays comply with. While efforts to improve the external structures of agriculture (training, farmers' organizations, irrigation, etc.) can and must be maintained, the improvement of the internal structure of farms (a matter of increasing their economic size) is a much more formidable task nowadays than was once the case. The general economic situation of the Community and, therefore, the lack of possible jobs outside agriculture have been discouraging farmers and farm workers from leaving the land and this has been an obstacle to an increase in the size of farms which was the main factor in the past leading to increased incomes. Another point is that concealed unemployment in agriculture is a major phenomenon in the least-favoured regions, especially the Mezzogiorno. Consequently, efforts to achieve a new structure of Community farms can succeed only if vigorous action is taken at the same time to achieve regional development with the concomitant creation of alternative jobs.

One of the considerations motivating the introduction of structural schemes with a more definite regional bias is the fact that there are in the Community agricultural regions where the climate is exceptionally harsh, which suffer other severe natural handicaps, where the population — mostly farmers and farm workers — is sparse and where there are fewer and fewer alternative jobs. It is

true that the drift of population from these areas has lost a great deal of momentum but it remains a serious threat, and it is clear that the general interest is that these regions should not be deserted altogether.

To enable hill farmers to continue farming their land and to take advantage of the possibilities of farm modernization available to their counterparts in more prosperous regions, a special allowance, subject to certain conditions, has been introduced to compensate for the natural handicaps they have to overcome. At present 350 000 farmers are claiming this annually.

As regards the socio-structural directives, which deal with such matters as the modernization of farms, it may be true that the Community has laid down standard rules, but it has varied the national contribution towards the financing of measures by reference to the economic situation in some Member States.

For instance, in the case of Ireland and Italy, where agricultural structures are weak and the economic situation critical, the EAGGF bears 50% and sometimes more of the joint financing bill, compared with the general level of 25% for other Member States. On 2 April 1981 the Council implemented its policy of accommodating more fully the differences between farms in the Community by relaxing the conditions for the grant of Community aid under the Directive on the modernization of farms — for this purpose it modified the rules defining the target income to be achieved on completion of the modernization plan. At the same time the Council went further in varying the amount of aid for the modernization of farms, even withholding aid from farms which exceed the 'comparable income' (reference income) by a certain percentage.

The common agricultural policy has recently taken a further step in regional differentiation in the implementation of its structural side by concentrating its efforts on the least-favoured regions, through the joint financing of projects for the structural improvement of production sectors in the less-favoured areas (restructuring of wine-growing, beef and veal and goatmeat in Italy, etc.) and by the joint financing of projects for the acceleration of agricultural development in certain regions (French overseas departments, Northern Ireland, etc.).

This decision follows on the 'Mediterranean package' adopted in 1978 (irrigation in the Mezzogiorno, Mediterranean forestry, land reparation in Languedoc, etc.). The contribution of the common agricultural policy to the efforts for regionally differentiated development is particularly evident in connection with the integrated development programmes.

These are programmes featuring, in addition to a generally important agricultural element, a non-agricultural element establishing non-agricultural activities which will help to break the isolation of regional communities and bring them to a take-off point towards self-sustained growth. To make such operations a success, use has been made of financial instruments other than the EAGGF, which is only what one would expect, because while the common agricultural policy can contribute to the regionally harmonized development of economic growth, it is not meant to take the place of the policies devised for that very purpose.

Concluding remarks

Thus, it is fair to claim that the common agricultural policy makes a significant contribution to the economic development of the Community. This contribution is not only quantitative but also qualitative — in respect of farmers (training and agricultural advisory services, cessation of farming, switch to other occupations, etc.), of consumers (information, quality, health), of the environment, and even of rules on economic 'morality' (competition).

None the less, agriculture has to be seen in its overall economic context. It may be true that, because it lagged behind in economic terms, Community agriculture has made a great leap forward, but it still has a long way to go. It is a fact, however, that the length of the road before it does not depend solely on the common agricultural policy. It would be easy, with the aid of prices and external protection alone, to eliminate the surpluses completely and to put 'unprofitable' farms out of business, which would cut EAGGF Guarantee and Guidance expenditure to a mere trickle.

Assuming the farmers would accept such a drastic policy, which is highly unlikely, the consequences of such an unrealistic and irresponsible attitude would have to be faced: several million workers unemployed, production and marketing channels destroyed, the complete abandonment of some regions of the Community, instability of food prices, Community dependence on non-member countries, with all the measures of economic warfare such subjection entails; etc.

No government or Community authority could seriously contemplate policies of this kind, but mention of them points to the essential lesson that the common agricultural policy has for several years been fulfilling a number of important functions which hamper — but do not thwart completely — the unremitting efforts also being made under it to achieve improved rationalization. In this context it must be borne in mind that the policy is also inhibited by the consequences of the high rates of unemployment and inflation which have prevailed for several years in the Community but that in these areas too, it is making a contribution to economic development.

Nevertheless, these findings must not be used as an excuse for slackening in the efforts to achieve more efficient use of agricultural funds. The Commission has already made its intentions clear on this point: 1981 will be the second consecutive year in which agricultural expenditure has increased at a rate below that of Community expenditure in general.

However good the overall performance of the common agricultural policy may be, there is still room for improvement, with more emphasis on specific regional aspects, but in accordance with the basic principles which have enabled it to contribute without major social upheaval to the development of the Community. In this area, as in many others, realism should again prevail because although it is easy to criticize — and indeed some criticisms are justified — certain aspects of the CAP, it is much less easy to find an alternative policy which is economically, socially and politically acceptable.

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