

EEC COMMON AGRICULTURAL POLICYSUMMARY OF BAE CAP REPORT *

The EC's Common Agricultural Policy is costing each non-farm family 980 ECU per year, yet most of the direct budgetary assistance goes to a small proportion of very large farms.

These are some of the surprising findings of a recently released Australian study of the European Community's Common Agricultural Policy (CAP). The 370 - page report shows that the Community's agricultural support programs are no longer achieving their intended objectives .

The report reveals, for instance, that in the past 25 years the number of persons employed in EC agriculture has declined from 17 million to 7 million. A quarter of all farms now account for over 70 percent of production and received three-quarters of the Community's budgetary support.

The Australian report calculates that the various forms of agricultural support - including direct budgetary assistance, above-average world prices paid by European consumers, and national programs funded by individual governments - totalled 73,000 million ECU last year.

Although agriculture expenditure now consumes two-thirds of total support for the Community spending, in fact this accounts for only one-quarter of total support for the Community's agricultural sector. The necessarily high consumer prices represent the major "hidden" component of agricultural support.

The Australian report was produced because of the effort of the Common Agricultural Policy on Australian farmers. The basic problem identified by the report is the practice of using price support as a form of agricultural assistance. Not only does this favour the small minority of large-scale producers, it also stimulates surplus production. Europe has been transformed from a large net importer to a very large net exporter of agricultural products.

In order to sell this uneconomic surplus on the world market, further subsidies are used. More efficient, low-cost producers in Australia and other countries have been losing export markets to subsidised European competitors .

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The Australian report is not a biased attack on a commercial competitor. It was produced after four years' research by the Australian Government's independent Bureau of Agricultural Economics.

The report suggests that a policy shift from price support techniquet to income support would better achive the EC's underlying objectives without unfairly penalising other agricultural exporters. This would allow assistance to be redirected to the majority of small farmers, without encouraging uneconomic surplus production.

Other suggestions include price restraint, which would be consistant with self-sufficiency, or at least the withdrawal of price support for surplus produce, i.e. production above the quota necessary for Europe's own purposes.

Previous CAP reforms have been prompted by EC budgetary constraints and thus have not been directed at the basic problem of surplus production caused by unrealistic, open-ended price guarantees. European consumers are still providing the bulk of the agriculture subsidy whenever they buy farm products at the shop.