'Reforming agricultural policy', from Frankfurter Allgemeine Zeitung (25 September 1974)

Caption: On 25 September 1974, the German daily newspaper Frankfurter Allgemeine Zeitung calls for a reform of the European agricultural market and for better political cooperation between the Nine.

Source: Frankfurter Allgemeine Zeitung. Zeitung für Deutschland. Hrsg. EICK, Jürgen; WELTER, Erich; FACK, Fritz Ullrich; DESCHAMPS, Bruno; FEST, Joachim; REIßMÜLLER, Johann Georg. 25.09.1974, n° 222. Frankfurt/Main: FAZ Verlag GmbH. "Die Agrarpolitik reformieren", auteur:Krause, Klaus Peter , p. 1.

Reforming agricultural policy

by Klaus Peter Krause

Tensions may be high this Wednesday during the weekly Cabinet meeting in Germany, at which Ministers are to approve the latest Brussels agricultural compromise, although they are not keen to do so. Chancellor Helmut Schmidt and the German Minister for Finance, Hans Apel, will be more tense than others: over the past few months, both have made it clear that the current European agricultural policy must not be allowed to continue in the same old way as it has done until now. However, it seems that it is going to continue in the same old way.

The increase in national guaranteed prices for agricultural products agreed in Brussels, the second this year, will have fatal consequences. The Chancellor does not believe that they are in line with the Stability Concept, and the Finance Minister is becoming very uneasy in light of the increasing cost of the current agricultural policy. Furthermore, the increase will merely serve to draw out and exacerbate Europe’s agricultural difficulties. The German Government therefore wants to continue to seek a reform, although, to date, only a policy review was initially requested.

If this survey of the common agricultural market is a task for the Eurocrats in Brussels, the laborious task can be done in a trice: the official report on the current agricultural system’s lack of sustainability does not give all the facts: the common agricultural market has, in fact, come apart at the seams. Each Member State is giving its farmers as much aid as it wishes, making agriculture the only branch of industry using exchange rates long consigned to history.

In this way, the original uniform agricultural price level has split up radically. Instead of there being one common agricultural market, there are currently six sub-markets, increasing to seven in October. The nationally protected agricultural price level, calculated in accordance with real exchange rates, is, once again, the highest in the Community. In all other Member States, farmers receive lower guaranteed prices than their German counterparts.

These price variations are offset with the help of import levies and export subsidies (border tax adjustment). Instead of becoming simpler, trade in agricultural products has become even more complicated, and customs officials at the border posts have more, rather than less, to do. Approximately 19 000 Regulations have, to date, been published by Brussels, of which 96 % were for the agricultural market. For third countries, European protectionism is a constant impertinence.

But that is not all, not by a long chalk. Guaranteed prices for farmers, together with the state’s obligation to purchase products, are leading to surplus production. We have butter, skimmed milk powder and wheat mountains. Cold storage depots are full to bursting with beef. Buying, storing and cut-price resale of these intervention products is resulting in higher and higher costs. All this money is money wasted that could be used for more useful purposes (social security, structural improvements, development of the countryside). Last year alone, the total amount spent was 13 400 million German marks, almost one and a half times as much as just two years ago. Agriculture swallows three quarters of the total Community budget. Furthermore, there are not only poor but also rich farmers. Each time that guaranteed prices are increased further, the rich farmers profit most because they do not really need the increase. By contrast, the price increases help poor farmers very little. In this way, the rich become richer and the poor stay poor. This is a social injustice.

The current situation is intolerable; the Community must implement a fundamental reform of its agricultural policy. The indirect subsidisation of agriculture through guaranteed prices and a national obligation to purchase all crops must gradually be abandoned. Prices inside the Community should be a matter for the market alone. Any loss of farmers’ income may be offset by direct subsidies. It is only such payments that actually reach the farmers. Despite claims to the contrary, they are also cheaper than the current support system.

Do Mr Schmidt and Mr Apel have sufficient political will to achieve such a reform? If so, they will require the political power to turn that will into reality. The strongest resistance comes from France, where there are concerns about the money previously received and agricultural exports and also about possible domestic political difficulties with the farmers. Consideration for the position of Valéry Giscard d'Estaing, the French Head of Government, is, therefore, appropriate. The other Member States cannot be relied upon when it comes to supporting agricultural reform, as was shown again in the most recent Council meeting when the German delegation was again suddenly deserted by all its partners. Every Member State is doing its own thing and selling its soul for each crumb that it can grab.

Nevertheless, Bonn is not entirely powerless. Chancellor Schmidt could end out a signal and reject the decision on guaranteed prices. Alternatively, he could offer the abolition of the border tax adjustment. And the reform would be more acceptable to Paris if it included a European financial compensation system (comparable to that between the Federal State, the individual *Länder* and local authorities). Whoever wins over Paris also wins over the other partners.