European Parliament cuts funds that support farm production

by Cynthia Parsons

The European Parliament voted Dec. 15 to freeze the budget of the European Community (EC) at 1983 levels, foregoing an anticipated 5 percent budget increase to the Common Agricultural Policy (CAP), the price support system for farmers. The 5 percent increase was already *below* the inflation rate; without it, the stage is now set for mass bankruptcies of farmers in Europe and a food crisis worldwide.

The vote followed a deadlock at the Dec. 6 EC summit in Athens, where European heads of government failed to resolve the crucial agenda item: the reshaping of the CAP, under circumstances in which member countries can no longer afford the farm subsidies which guarantee the food supply for Western Europe and much of the world. With no executive level agreement on the 1984 budget and the "reform" of CAP, the European Parliament could only extend the 1983 budget on an "emergency management" basis.

The CAP is the cornerstone of the European Community, consuming two-thirds of the total EC budget. But the erosion of its price support policy since the mid-1970s has made it an increasingly fragile proposition. Price support to French farmers dropped 6 percent in real terms between 1976 and 1981; support to German farmers fell 8 percent. Given this trend over the past decade, the current EC budget signals disaster.

For many of the estimated 25 percent of West German farmers, for example, who are already living on the brink of bankruptcy, it will slash the thin margin of funds available for investment, for seed and fertilizer. Farmers in France, Spain, Ireland, Italy, and other EC countries will be hit even harder.

The EC fight is further jeopardizing Europe's political stability, at a time of extraordinary Soviet blackmail pressure on the continent. Greek Prime Minister Andreas Papandreou, the current president of the EC who has virtually brought his own country into the Warsaw Pact, threatened at the Athens meeting: "If the crisis remains unresolved, the EC will break apart within the next six months." The Greek population would favor this, he said. Spain's entry into the EC has now been postponed, and Spanish Premier Felipe Gonzales declared that his country will not join NATO until its EC membership is clarified.

The European Parliament additionally decided to freeze $1 billion in funds owed to Britain and West Germany, refunds for their over-payment to this year's budget. This decision was made over the opposition of British parliamentarians, like Labour Party leader Neil Kinnock, who called upon the Thatcher government to cancel British budget payments in return—an action Thatcher has threatened to take in the past. Intensified confrontation within the EC is now on the agenda.

The economic crisis in every EC nation means that, without additional sources of financing, the Community cannot afford to keep the CAP going. The West German government, which has been a net funder to the EC (to the tune of $7 billion in 1983), is facing domestic austerity and wants to cut back its budget contribution. In November the CAP had to temporarily suspend $522 million in pre-payments to exporters because the funds were not available.

The Athens summit saw British Prime Minister Margaret Thatcher and German Chancellor Helmut Kohl allied to demand greater austerity, particularly against the farmers of Europe. Thatcher is calling for a "consolidation" of the EC budget, which she says is a precondition for her agreement to any future contributions to the Community. She insists that the EC put less emphasis on agriculture and more on industries like telecommunications. Such a shift would undermine

French influence in the EC, since France's farmers are the primary recipients of CAP funds. Kohl agreed, and further demanded a ceiling on milk production, reducing total EC production from 105 million tons to 95-97 million tons. Kohl and his Finance Minister Gerhard Stoltenberg are also calling for the deutschemark to be made the central European currency for the agricultural market—that is, to create a "green deutschemark" to replace the European Currency Unit (ECU).

Other "reform" proposals would also further wreck the productive base of European agriculture and industry:

1) Payments to the EC coffers would be based on what each country can afford, rather than a set budget target based on overall Community need. This would accommodate Britain's insistence that it cannot afford its mandated payments.

2) Finance ministers would be allowed to "assist" agriculture ministers in setting budget limits.

3) The VAT (Value Added Tax) would be increased from 1 percent to 1.25 percent.

4) Farmers would be denied their present yearly price increase.

5) The Monetary Compensatory Amount (MCA), a subsidy which shields the farm price system from the fluctuations of national currencies on the international markets, would be phased out.

6) Ceilings would be placed on production, especially dairy production.

French President François Mitterrand rejected the Anglo-German demands, fearing the decimation of French agriculture. Mitterrand is scheduled to take over as EC president in January, and evidently hopes to use that position to pursuade the Germans to continue their traditional support for France's interests in the EC.

What is the CAP?

The Common Agricultural Policy came into being in 1960, within the framework of the 1957 Treaty of Rome which founded the European Economic Community. French President Charles de Gaulle viewed the CAP as a means of ensuring Europe's food supply and improving the productivity of agriculture. He insisted that membership in the CAP was a prerequisite for EC membership, and he played a key role in shaping the CAP as a tariff union which would protect European agriculture from fluctuations in international market prices.

The CAP price support system uses various mechanisms—target and intervention prices—to support farmers' prices. The CAP laid the basis for real improvements in European agriculture during the first 15 years of its existence (see article, page 25). But "free marketeers" in the European Community bureaucracy have always tried to undermine de Gaulle's conception of the CAP, and the entry of Britain into the EEC intensified the opposition fiercely. Since the death of de Gaulle and the 1972 adoption of the "Mansholt Plan" (which blamed "overproduction" for the difficulties of European agriculture), the CAP has functioned merely as a guarantor of minimal prices to the farmer; It has done little to promote the high-technology development of farming. European farm income in real per capita terms has taken a beating since 1973, but especially in the past several years, when price support levels were held *below the rate of inflation*. As a result of these policies, average animal protein consumption in Europe remains about 70 percent of that in the United States (**Figure 4**).

Yet the zero-growthers at the European Commission claims that only production cutbacks, especially in beef and milk production, will solve the economic crisis!

Today there is in fact not one farm price zone within the EC, but seven, and farm prices have diverged by as much as 40 percent between Germany at the top and the United Kingdom at the bottom.

The extent to which the effectiveness of the CAP has been undermined over the years has been masked in countries like France, Italy, and the Netherlands because those governments have adopted, independently of CAP, supplemental price-support programs. The United Kingdom, on the other hand, does not support its agriculture apart from what it receives from the CAP. Its gentleman farmers—the largely anti-Europe titleholders whose land is worked by tenant farmers—have never stopped calling for the collapse of CAP. These gentleman have stated their conviction that farm prices should be fixed by "markets, not by ministers," adding that that is the best way to eliminate "surplus production."

Today the international economic depression and the effects of the International Monetary Fund's "conditionalities" on the developing sector have blocked off potential export markets for Europe's farmers. This has created the explosive potential for trade wars, and given credence to the foolish doctrine of agricultural "overproduction." Until these conditions are reversed, and the zero-growthers ousted from the European governing institutions, the danger of food shortages in Western Europe will continue.

Figure 4
Per capita protein consumption
(grams)

	1966-68	1975-77	1978-80
France			
animal	57.4	64.5	67.6
vegetable	40.5	37.1	37.7
W. Germany			
animal	48.1	58.8	59.7
vegetable	41.8	41.8	42.3
Italy			
animal	36.4	45.1	49.5
vegetable	55.7	53.2	54.4
United Kingdom			
animal	55.4	54.3	55.1
vegetable	36.5	36.5	36.5
United States			
animal	70.7	72.2	72.0
vegetable	33.0	34.5	34.7