

A

VISITOR'S GUIDE

TO

EUROPE AND THE EUROPEAN ECONOMIC COMMUNITY

ON \$110 DOLLARS

A DAY

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A VISITOR'S GUIDE TO EUROPE AND THE E.E.C. ON \$110 A DAY

"The E.E.C. appears set to continue its protectionist agricultural policies for selfish political reasons, with no regard for third world countries."

This statement appeared in the Editorial of "The Australian" newspaper, and typifies comments following the 1982 G.A.T.T. talks in Geneva.

I am continually amazed and annoyed at the misconceptions and misunderstandings so many Australian farmers, farm leaders and politicians have of the E.E.C. and particularly Britain's participation.

As a farmer, an Australian, but more importantly, as a citizen of the global community; I support the concept and operation of the European Economic Community.

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A. BASIS OF THE E.E.C.

The aspect of the E.E.C. which most affects us as Australian farmers is the C.A.P. - Common Agricultural Policy. This is quite a notorious policy drawn up about 20 years ago at an event now called "The Treaty of Rome". It embraces ten member countries and has the following basic policies:

- i. To increase agricultural production by maximum development and utilization of resources; in particular, labour;
- ii. To give those involved in agriculture a standard of living equal to their city counterparts;
- iii. To stabilize markets and assure availability of supply at a reasonable price to the consumer.

It is the implementation of this policy which sends so many Australian farmers green with envy or red with anger. Essentially European farmers are paid a guaranteed price for unlimited production; regardless of the market. The inevitable surpluses are then off-loaded onto world markets at a subsidized price, or even given away as food aid.

As distasteful as this practice may appear on the surface to Australians who have lost so many markets in Europe; the basic underlying reason for wealthy nations such as Britain and Germany joining the E.E.C., is to keep Communism or another Hitler out of Europe. The C.A.P. is only a means of financing foreign aid or social services indirectly through high food prices rather than the more distasteful method of taxation.

The original treaty of the E.E.C. is called "The Iron and Coal Agreement" which was drawn up in the wake of World War II with the aim of preventing any one nation amassing the raw materials of war. The C.A.P. is simply an extension of this ideal - to remove the need for any one nation to make war because of hunger and unemployment.

(3)

- There are (a) 5¼ million farmers in the E.E.C.;
- (b) 75% of these have less than 20.24 Ha;
- (c) 40-45% of this 5¼ million are in Italy, where 90% have less than 20.24 Ha;
- (d) The average Italian farm is 6.88 Ha compares with 80.97 Ha in Britain.

Peasant agriculture is alive and kicking in Europe, as is Communism, being a major political force in France, Italy and Spain. This is not simply a matter of seeing "Reds under the beds". France has withdrawn from N.A.T.O. and recently sent an astronaut up with the Russians. There are 10,000 Russian tanks based in East Germany. These are closer to Paris than the millions of Frenchmen living in the Southwest of France. Europeans live and breath the fear and memories of war.

Britain contributes more to the E.E.C. budget than it receives back - clearly they could better support their farmers internally. They are one of the few nations voting to allow entry of Spain and Portugal. The entry of these two countries would present tremendous political and financial problems. The agricultural production of Spain and Portugal represents 30% of the E.E.C.'s current production and it's primarily Mediterranean goods (such as wine and olive oil) that are already overproduced. The E.E.C.'s biggest headache at the moment is the drain on its funds away from development into export restitutions to dispose of her huge surpluses in some products.

Britain has a well understood desire for self-sufficiency in food, having nearly starved in the last war. While they lost 30% of their natural resources; the United States made a positive gain in its G.N.P. After cuts in food imports because of economic crisis, the daily calorie intake for 1952 was estimated at 2,830 calories per head. The population was eating less than the minimum needed to sustain normal growth in both adults and children, and was comparable with the diet of the pre-war unemployed. That tiny island with 55 million people, now produces 60% of its total food requirements which is more than the combined agricultural production of Australia and New Zealand.

Security of supply has required a willingness by the consumer and the taxpayer to pay a premium for that production which can be grown at home.

C. POSSIBLE WEAKNESSES IN BRITISH AGRICULTURE

The community gives annual price rises in product prices even if they are overproduced. The British farmer cannot be blamed for increasing production, in the knowledge that all he turns out is sure of a market somewhere at someone else's expense.

But how much longer will the British consumer and taxpayer put up with not only having to buy the dearest food in the world; but also having to subsidize to the Poles and Russians that which they could not buy cheaply.

The C.A.P. ideal of trying to make the smallest farmer viable through high prices, means the relatively large scale, efficient British farmer is making a killing. But there seems to be a very real danger of killing the goose that is laying the golden eggs.

European farmers, including the British, seem to be living in a fool's paradise where they look to politicians instead of mother nature as the great provider. There also appears to be a need for a shift of emphasis and advice; that for most products it is not maximum yield, but minimum cost for maximum return.

1. CAPITALIZATION

The results of capital grants, tax concessions, guaranteed returns etc. litter the British rural landscape in the form of huge overpowered tractors, concrete livestock houses, sprayers, ditchers, ripers and so on. Apparently something like 60% of Scotland's grass farm income goes on debt repayment. There is one tractor for every 5.26 Ha (13 acres) of farmland.

The following statistics from the East of Scotland College of Agriculture, show an alarming trend to capitalization.

INPUT / ONE THOUSAND ENGLISH POUNDS  
GROSS OUTPUT

	<u>U.K.</u>	<u>GERMANY</u>	<u>FRANCE</u>	<u>NETHERLANDS</u>	<u>DENMARK</u>
Fertilizer	75	97	113	53	63
Fuel & repairs	110	141	91	97	70
Labour	267	179	178	76	102
Buildings	966	98	79	43	144
Machinery	595	71	112	65	60

## 2. ENERGY

This dependence on capitalization also brings with it a high dependence on fossil fuels, and not just to propel vehicles and heat buildings. Sir Kenneth Baxter has shown that British agriculture is in a negative energy balance. It must be realized that it requires about three tonnes of oil equivalent to produce one tonne of nitrogenous fertilizer. All the United Kingdom's Potash needs are imported and so obviously the nutrient requirements of present chemical farming methods are becoming less available and, together with the future energy crisis, makes present agricultural methods look less than secure. Many British farms appear to be nothing more than factories converting imported raw materials into an edible form. These methods are hardly suited to wartime survival where a handful of well-placed nuclear submarines could cut off these vital inputs; including North Sea oil.

The world is already 5% overproduced in food. It is all very well to produce 10t/Ha of corn, but what is the production of soot and scrap iron needed to achieve this?

## 3. LABOUR

Another energy crisis that must inevitably hit British farming is human energy. A farm employing six staff, including a secretary, to produce 5-600 fat lambs and a few hundred acres of cereals is surely living behind its means. The British farmer will really learn the meaning of efficiency when wage levels require that he must produce all these goods plus more by himself.

The ability to employ plenty of labour is the one aspect of British farming that I envy. For despite the apparent high prices, British farmers earn a similar return on capital as their Australian counterparts.

The reason being, that for every penny put onto the value of a product; the price of land goes up by a pound, making interest or rent a major cost. Also, the price of many commercial production inputs is set on the farmers ability to pay. As such, sheep drench is five times the Australian price, which is a small consolation I suppose.

D. GENERAL AGREEMENT ON TRADE AND TARIFFS (G.A.T.T.)

Following the 1982 G.A.T.T. talks, came a press statement that "the attitude of the E.E.C. is reminiscent of stances of the 1930's which beggared countries into war." This is nonsense. Under an arrangement called "The Lome Convention", the E.E.C. guarantees free access for the agricultural production of sixty one developing countries. Thus the E.E.C. often buys surplus to their needs, and in years of low world prices, will pay an average of previous years' prices - as a form of foreign aid. The much discussed European grain surplus could all be consumed at home if it wasn't for the substitution effect of these and other imports.

If the E.E.C. was to enter the world cereals trade, the world price would fall as Russia had another major producer to play off against the other. The world trade in wheat is 70 million tonnes per annum. Of this, 50 million goes to Communist countries and 42-43 million of this goes to Russia. The situation is much the same with dairy products.

E. COST OF COMMON AGRICULTURAL POLICY (C.A.P.)

Much of the criticism of the E.E.C. by Australia seems rather back to front; taking the form of advice to Brussels that they should disband the C.A.P. before their budget is exhausted and product prices and markets are arrived at by anarchy and mob rule. I'm sure they appreciate our concern for their well-being!

But the problem of surpluses (restitution) is not insurmountable and could be controlled through quotas and price adjustment. This will take time because of the huge gaps in wealth between the richest and poorest farmers. Perhaps rather than attempting to make the smallest farmer viable, the E.E.C. could provide the extra income through industry tourism, crafts etc., but who are we to tell them?



At the same time, it must always be remembered that the cost of the C.A.P. represents only about 1% of Europe's G.N.P. All the British civil servants employed to administer the C.A.P. represent only one quarter of those employed by the British Environment Commission and one third of those employed in Brussels are employed solely in translation.

F. THE UNITED STATES

Also following the 1982 G.A.T.T. talks in Geneva, came the often heard threats from the United States of a retaliatory trade war with Europe. Apart from the fact that they would probably loose such a war with Europe which represents 40% of all world trade; the two nations would be starting on a similar footing in agriculture support costs.

Far from representing the pure milk of free trade, the United States embarrassingly vies for the trophy for food protectionist of the century. The reason more people have not realised this and made more mileage of it; is not because we all depend upon Uncle Sam for our freedom, but because the support is far less transparent than the E.E.C.'s. In fact the United States has price support schemes for milk, wool, tobacco, maize, sugar, peanuts, soya, wheat and rice.

I don't think they grow much else do they? As well, they receive substantial support in the form of state aid for transport, cheap fuel, cheap inspection charges, low interest loans and government aided export.

The world price for wheat, the one we receive, is not really the world price but the price of the largest producer - the United States which operates in this artificially supported environment. The export restitutions on butter are equal to 31% of the U.S. domestic price. Milk powder 48%; cheese 51% and if it can be believed, the French claim 85% on wheat. It is estimated there are a million tonnes of unsold dairy products amassed in the United States resulting from this artificial environment. The United States continues to show an embarassing reluctance to take up the E.E.C.'s challenge and show where the E.E.C. is breaching G.A.T.T. by "taking more than an equitable share of the world markets through subsidies."

G. NEW ZEALAND

Closer to home, New Zealand agriculture would seem to be as subsidized and supported as the E.E.C.

New Zealand sheep farmers receive \$1.40/kg for lamb but there is a direct Government subsidy of 32¢/kg. Some put the real value at 75 cents when consideration is taken of the development grants, stocking grants, tax concessions and so on. Why should European farmers be expected to compete with this. The de-population of the Scottish Highlands last century can largely be attributed to the flood of wool from Australia and New Zealand.

The "dumping", both physically and financially of tonnes of venison into Australia recently is every bit as distasteful as any of the E.E.C. policies.

The French Agricultural Minister has said that her Government is determined to maintain their rural population with dignity and purpose. I say good luck to them.

H. AUSTRALIA

Now let us bring the discussion closer to home. There are three good reasons why Doug Anthony and Peter Nixon failed to cut much ice at the G.A.T.T. conference. (G.A.T.T. is not an E.E.C. treaty but an international attempt at stabilizing world trade.)

- i. Europeans, and rightly so, regard Australia as a wealthy nation and so will only buy from us what they need. Our cries for mercy fall on deaf ears - or should I say deafened ears from their local farmers.
- ii. Our complaints about Europe producing huge surpluses are hardly valid - 90% of our agricultural production is surplus to our own requirements. We produce huge mountains of wool, beef, mutton etc. What gives us some sort of priority to be an agricultural exporter? The fact that their agriculture is subsidized is immaterial. We don't subsidize it. Australian farm leaders cry that European farmers should be made aware of the facts of supply and demand in the world. Europe is the world's largest agricultural producing nation and the fact

is that they can do what they like - it's not cricket we're playing. The E.E.C. as a nation sees fit to redirect some of its huge industrial and human wealth into agriculture - good business management I'd say.

iii. This brings me to the third reason - the support we provide to secondary industry is every bit as protectionist as the E.E.C.'s Common Agricultural Policy. This is hardly an original view, as the issue of tariff protection fills our rural press. The problems of removing tariffs are tremendous, but it is clear there is an urgent need for a more rational distribution of this support to all industries. Recently I read that support of secondary industry through tariff protection increase every Australian farmer costs more than \$2000.

It's all very well to tell the Europeans we could sell them a lamb for \$10 instead of their \$100, but they could apply the same reasoning to a car. As Peter Wherrett of A.B.C.'s "Torque" programme stated after comparing a small B.M.W. with some sort of Holden:

"Why is it that the Germans can use the same amount of raw materials to produce a car with the same engine capacity and price, that will go almost twice the speed, twice as safely on half the fuel?"

Well, we all know the answer - the Australians don't have to try.

Australia is a lucky country with huge natural resources and free of serious political or military instability. Yet why is it that our inflation, unemployment and interest rates continue to move rapidly ahead of most other industrialized countries? Again the answer is obvious - we are a nation of pot-gutted lazy ockers, with too many people consuming more than they produce. Farmers appear to be the prime host for these parasites. Do you know the going rate for a plumber in Hobart is \$28/hour? That's nearly as much as a farm hand receives for a full day of equally skilled work. A sixteen year old boy on our local council work gang earns \$240/week.

How do you imagine our politicians can influence world agricultural trade, when they can't even control supply and demand for labour in our tiny community of 15 million.

Take the 35 hour week issue. If you subtract from 365 days all the weekends, holidays, sick leave, long service leave etc., then divide by 52, the 40 hour week is already a 34 hour week. The 35 hour week becomes a 30 hour week or a 6 hour day. Now take a country that still works a genuine 35 hour week, they will outproduce us 70:61. This doesn't mean we shall sell 61 units to their 70; it means we shall be lucky to sell anything at all.

In the six months to September 1982, the Australian Consumer Price Index has risen by 6% while the rate of increase among all 24 O.E.C.D. countries was 3.9%; Japan was 2.9%; United States 3.6% United Kingdom 3.0% and E.E.C. 4%. Australian wages have risen at twice the rate of our competitors and appear to be recession proof. Japanese children sit entrance examinations for pre-school and workers go on strike after work hours! What hope have we got?

We boast of our efficiency at running 10,000 sheep/man or producing 2000 acres of cereal/man, but more fool us I say for letting such a situation develop. The greatest problem facing the Western world is unemployment and energy shortage, not a food shortage.

The average British farmhand's wage is Seventy Five English Pounds per week. At the same time the C.A.P. has achieved for its farmers a price of Fifty English Pounds for a young ewe. As you can see,  $1\frac{1}{2}$  lambs will pay a man for a week. The same number of animals would not keep an Australian farmhand going until Smoko Monday morning. While a farmhand costs Seventy Five English Pounds it costs the British Government Eighty Five English Pounds to maintain an unemployed person.

I believe it is a failing of Australian farmers to attach some sort of stigma to the word subsidy - after all we pay a large proportion of Australia's bills and so we should demand the same proportion of support.

Direct and indirect government assistance in New Zealand has created two entirely new multi-million dollar export industries - Kiwi Fruit and Venison.

I saw Chinese Gooseberries (which is what Kiwi Fruit really is) being sold in the Paris market, grown in Algeria, but labelled as Kiwi Fruit - what salesmanship by the New Zealanders!

The wealth of the E.E.C. could easily ruin Australian agriculture by distortion of world prices. The value of subsidies in the E.E.C. exceeds the value of Australia's entire agricultural production. It is therefore imperative that Australia maintains a presence and a voice in Brussels, where the bureaucrats and politicians do actually recognise the importance of third world countries. Last year they co-operated with New Zealand to prevent a market collapse when the United States put 200,000 tonnes of surplus dairy products onto the world market.

However, I feel any additional spending would be better directed to new products and markets, leaving the E.E.C. to their own massive problems.

For those determined to see C.A.P. disbanded, the most cost effective avenue would be through the media and the British housewife and your allies would be the British Labour Party and Trade Unions - but, do not miss the common political denominator in most opponents of the E.E.C..

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And so, in conclusion, with the drought worsening; the cost price squeeze tightening, and more and more markets being lost to us; try to avoid the easy way out of using the E.E.C. as a scapegoat - take a good look in our own little backyard and maybe we can tidy that up first.

When some well-versed politician or farm leader spits chips about the E.E.C., try to remember that most British people do not like deserting Australia.

For them to turn their backs on longterm allies, friends and even relatives; to lumber themselves with the dearest food in the world and to form an alliance with thousand year enemies, deserves our respect and support. Because, if they should fail, we, as young Australians, could find ourselves like our fathers and grandfathers, at the control of tanks and planes instead of tractors and combines.

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