

## PROCEEDINGS OF THE NUTRITION SOCIETY

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### SYMPOSIUM ON 'HEALTH AND ECONOMIC PRESSURES ON AGRICULTURE'

#### **Pressures for change in the Common Agricultural Policy**

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It is almost 30 years since the Treaty of Rome with its Common Agricultural Policy (CAP) was first mooted. Thus it is hardly surprising that changes in both its strategic aims and tactical methods should be deemed necessary. Neither time nor human circumstances remain still. Let us first, however, remind ourselves of the five aims of the CAP as enshrined in Article 39 of the Treaty of Rome. They are:

- (1) to increase agricultural productivity, thus,
- (2) to ensure a fair standard of living for the agricultural community,
- (3) to stabilize markets,
- (4) to assure availability of supplies,
- (5) to ensure supplies reach consumers at reasonable prices.

On surveying the current state of European Community (EC) agriculture, one must conclude that success in achieving these aims has been limited and varied.

There has indeed been a dramatic increase in productivity and especially labour productivity. This has arisen through the application of technological advances combined with a considerable exodus of labour from the agricultural sector. Doubtless one could claim that the agricultural strategies on stable and generous prices were conducive to investment in the new technologies. One could also argue that the exodus from agriculture has occurred in spite of, rather than because of, agricultural strategies; early retirement and farm amalgamation schemes have been notably ineffective. It could be argued that the increase in the degree of self-sufficiency for most of the core agricultural products shows a successful securing of food supplies for the 250 million consumers in the EC.

The evidence for the lack of success can be taken from the persistence of the low-income problem and an increase in income disparity in the agricultural sector, from the incurring of an intolerable support cost, from the persistence of chronic surpluses of several core agricultural products, and from an increasing distortion of international trade. These failings may be summarized as the Five Imbalances of the CAP:

- (1) that 65–75% of the total EC budget is spent on the support of agriculture;
- (2) that 95% of the EC agricultural budget is spent on price support and only 5% on structural reform, marketing and productivity improvement, and research;
- (3) that 35–40% of the Price Guarantee funds have been going to the support of one product, milk;
- (4) that 40% of the Price Guarantee funds have been going to export refunds;
- (5) that EC expenditure on agriculture has been growing at a consistently faster rate than EC 'own resources' have been increasing.

These imbalances are the culmination of many factors which may be summarized as the Five Deadly Persistencies:

- (1) the persistent disproportionate political power of the agricultural sector relative to its contribution to the EC economy,
- (2) the persistent over-emphasis of the 'food-security' objective of the CAP,
- (3) the persistent underestimation of the speed and outcome of technological advances and their adoption in agriculture,
- (4) the persistent underappreciation by policy-makers that technical achievement (production *per se* rather than productivity) is a major motivating force in most farmers,
- (5) the persistent but misguided use of the price mechanism to solve the problem of low incomes in agriculture.

Not only are we faced with making tactical changes if we are to achieve these stated aims more successfully, but also with introducing new aims to meet new pressures. A major issue is whether concerns for nutrition, for the environment and for foreign relations are liable to call for adjustments in agricultural policy. From the viewpoint of agricultural economists, this will give rise to important changes in prices, costs and re-allocation of resources.

Whilst nutritionists advocate the formulation of a food policy in place of an agricultural policy, the potential conflict between them should not be exaggerated. The existence of a viable agricultural sector capable of producing ample supplies of a wide variety of foods at reasonable prices is clearly also a prerequisite of a food policy. However, once these conditions are fulfilled, differences in emphasis may occur as more refined nutritional considerations come increasingly to the fore. The more interventionist a food policy becomes, the more likely are there to arise conflicts between sectors of the economy and between departments of government.

Thus the problem of reconciling the potential goals of a food policy with the existing aims of the CAP, takes on a particular significance.

We should remind ourselves that the aims of the CAP, enshrined in Article 39 of the Treaty of Rome, include the following:

- (4) to assure availability of supplies,
- (5) to ensure supplies reach consumers at reasonable prices.

In relation to the issues of current concern, these aims seem somewhat limited. For instance, the present butter subsidies seem quite justifiable by reference to these aims, but not so if healthy nutrition were an explicit aim. It would then be necessary to weigh the two aims against each other. This then raises the issue that the EC cannot adjust the aims of its policy as easily as can an individual Member State's parliament. Any change in the Treaty of Rome can only be made by the difficult and long-drawn-out process of ratification by all the ten (possibly twelve) parliaments.

Even if one were to argue that the present aims of the CAP reflect a concern for consumer interest, and that all that is required is a reinterpretation of these aims, and a rebalancing of the other aims relating particularly to farm incomes, it is obvious from hard experience that any attempt to redefine the aims would raise considerable political controversy. We also know that agreement on any adjustments to market regimes is slowly gained; witness the current negotiations over Directive 81/602 on the use of hormones in cattle production.

Despite this cautionary comment, change in the CAP may be more likely if there is a confluence of different pressures, which are complementary rather than in conflict. Furthermore, it is possible to make changes in existing market regimes which can affect both the supply and demand for particular products. Let us, therefore, examine some of the pressures currently bearing upon the CAP, and see whether they are complementary or conflicting. Current pressures for change in the CAP include: (1) budgetary, (2) foreign relations, (3) farm income, (4) environment, (5) human health, (6) animal welfare, (7) the political 'clout' of producers and processors of particular products. This is a listing, not a priority ranking. As members of society, as consumers of food, environmentalists, conservationists, gourmets, philistines, doctors, economists, taxpayers and voters we have our private as well as our collective priorities.

If we are to consider the pressures for change in the CAP, and particularly those changes which would be in line with the ideas and desires of nutritionists and doctors, we have to attempt to answer such questions as which products come under which pressures: how do these pressures relate to the agricultural and food products currently subject to adverse comment by the medical and nutrition professions? These relations can most easily be formulated in a matrix of products and pressures set out as in Table 1.

To complete the matrix it would be necessary to give a rating for each product for each pressure and then finally to give a weighting to each pressure according to its significance in political terms. It is a formidable task, a full treatment of which

Table 1. *Matrix of economic, social and political pressures impinging on various agricultural food products*

Products	Pressures						
	Budget	Foreign relations	Farm income	Environment	Health	Animal welfare	Political clout
Milk and milk products							
Beef and veal							
Pig meat							
Poultry meat							
Eggs							
Sheep meat							
Vegetable oils and fats							
Olive oil							
Wine							
Political clout							

is well beyond the scope of this paper. I shall, therefore, confine myself to setting down some comments on certain of these pressures.

If we accept the recommendations of the Committee on Medical Aspects of Food Policy (COMA) (1984) Report, then the agricultural products in which we are most interested are milk products, beef and veal, sheep meat, pig meat, sugar, fruit and vegetables, and poultry meat.

#### *Pressure*

*EC budget.* From the politicians' and policy-makers' viewpoint, the paramount pressure is undoubtedly the budgetary one. A ranking of Price Support expenditure by the EC (Table 2) shows that the most costly products are milk products (30.3%), cereals (15.6%), sugar (8.6%), and beef and veal (8.5%). If FEOGA\* expenditure is to be curbed, then these four products are most likely to be singled out for either a reduction in support price or for the imposition of a quantity limitation for support. Such a limitation or quota was imposed on milk production as from the 1 April 1984. Guarantee thresholds have been imposed on cereal production, and there has been a production quota system in operation for EC sugar for many years.

Pig meat, poultry meat, fruit and vegetables are all subject to 'light' market regimes and, consequently, any alteration in their levels of production or support prices would have relatively little effect on total FEOGA expenditure.

Although the total amount of EC 'own resources' will increase following the agreement to raise the value added tax (VAT) contribution from 1% to 1.4%, it has also been agreed that there shall be a maximum amount available for the agricultural budget. No longer will there be an open-ended cheque for the CAP, and so the pressure to curb production is being strengthened.

\*FEOGA, the more commonly used French acronym for the European Agricultural Guidance and Guarantee Fund (EAGGF).

Table 2. *FEOGA 1983 (Commission of the European Communities, 1984)*

	Percentage of:	
	Total	Export refunds
Cereals	15.6	24.0
Sugar	8.6	14.9
Olive oil	4.7	0.0
Oils and fats	6.6	—
Fruit and vegetables	6.3	0.0
Wine	3.5	0.0
Tobacco	4.5	0.0
Milk products	30.3	29.7
Beef and veal	8.5	11.5
Sheep meat	2.1	0.0
Pig meat	1.2	2.5
Eggs, poultry meat	0.8	2.0

FEOGA, European Agricultural Guidance and Guarantee Fund.

*Foreign relations.* International trade in agricultural products is an important, even vital part of the economy of both developed and less-developed countries (Tables 3–5). Since the EC has, for certain core products, attained levels of production well above self-sufficiency it has become a major exporter. It is now the largest world exporter in dairy products and beef. Furthermore, any increase in EC production in milk products, beef, pig meat, poultry meat, eggs, some cereals, sugar and wine will have to find export markets: in doing this, they will call on export refunds (subsidies) from FEOGA. Table 2 shows that milk products take nearly 30% of the total export refund, cereals 24.0%, sugar 14.9%, beef and veal 11.5%. The other products of our concern have an insignificant call on export refunds.

Trade relations in the agricultural area have always been fraught with difficulties, and although a general trade war in the agricultural sector has been avoided so far, there have been some disturbing skirmishes with the General

Table 3. *Percentage of world trade 1979 (Commission of the European Communities, 1983)*

	Imported by EC	Exported by EC	Net EC share of world trade
Feed grain: Total	13.3	4.5	-8.8
Maize (% total)	16.1	0.1	-16.0
Soya bean	45.4	0.0	-45.4
Total milk	0.5	62.2	61.7
Beef and veal	6.8	12.4	5.6
Pig meat	15.9	15.0	-0.9
Poultry meat	5.3	28.1	22.8

EC, European Community

Table 4. *Percentage of exports of agricultural products to different groups of countries excluding Eur 9 (Commission of the European Communities, 1983)*

	1973	1982
USA	16.6	12.1
Western Europe (excluding Eur 9)	23.4	16.0
Industrialized Commonwealth	4.9	3.8
State trading countries (class III)	10.1	10.8
Mediterranean area (excluding Eur 9)	14.5	14.0
Latin America	3.5	3.2
ACP	7.8	10.3

Eur 9, European Community of the nine Member States; ACP, Africa, Caribbean and Pacific countries associated with the European Community through the Lomé Convention.

Table 5. *Percentage of imports of agricultural products from different groups of countries excluding Eur 10 (Commission of the European Communities, 1983)*

	1973	1982
USA	17.3	20.3
Western Europe (excluding Eur 10)	10.3	10.0
Industrialized Commonwealth	14.1	10.3
Mediterranean area (excluding Eur 10)	10.1	9.6
Latin America	15.4	16.3
ACP	10.9	12.3

Eur 10, European Community of the ten Member States; ACP, Africa, Caribbean and Pacific countries associated with the European Community through the Lomé Convention.

Agreement on Tariffs and Trade (GATT) and the USA concerning export refunds on wheat flour, poultry meat and sugar. In 1983 the USA announced a contract to supply Egypt with 1 million tonnes wheat flour, thus displacing the EC as its main supplier. Subsequently the USA agreed to supply Egypt with 18 000 tonnes butter and 10 000 tonnes cheese at heavily subsidized prices. These were deemed to be warning shots in a potential battle which extends into other areas of trade such as steel pipes and electronic equipment, and into USA–EC relations in such matters as NATO and European defence. One cannot ignore the political power of the American farm lobby, nor the fact that the EC takes 22% of USA agricultural exports, whilst the USA takes 10% of EC agricultural exports. EC–USA relations are particularly concerned with trade in cereals, vegetable oils, poultry meat, wine and citrus fruit. The relations between Member States and their application of pressures are likewise affected by not only their own pattern of production but also their affinity with former imperial and colonial territories: the question of New Zealand exports of sheep meat and dairy products, of Australian exports of sugar, and of the Anglophone and Francophone ACP\* countries with their sugar, vegetable oils and fruit and vegetables.

\*ACP, Africa, Caribbean and Pacific countries associated with the EC through the Lomé Convention.

The increasing importance of agricultural trade in foreign relations is to be seen, not only in its frequency on the agenda of the Council of Ministers of Foreign Affairs but by the establishment of a special Council before the Athens Summit in 1983 comprising Ministers of Finance and Foreign Affairs as well as of Agriculture with the remit to bring forward proposals for the resolution of CAP problems.

Hanging over the CAP is the Second Enlargement. Accession of Spain and Portugal is definite, although the length of the transitional period has not yet been agreed. Herein lies another pressure for change in the CAP towards more support for the Mediterranean products and for structural improvement. Under a budget limitation, this will mean a shift away from the support of 'northern EC' products, i.e. milk, cereals, sugar beet and pig meat.

*Farm incomes.* As stated earlier, one of the aims of the CAP is to ensure, through increased agricultural productivity, a fair standard of living for the agricultural community. Many surveys over the years have shown a general positive correlation between size of farm business and size of farm income. If farm income is inadequate, then pressure is exerted to increase farm product prices, to increase the land area per farm or to intensify production. Tables 6 and 7 show the degree of pressure on farm incomes arising from the size structure and income status of the agricultural sector in various Member States. The higher the figure, the greater is the pressure to intensify farm production. Although the data are derived from

Table 6. *Pressures arising from structural and income status (Heidhues et al. 1978)*

	Farm size	Non-farm income
Germany	4	5
France	3	4
The Netherlands	4	4
UK	1	2
Ireland	3	1
Denmark	3	5

Table 7. *Percentage of market-orientated farms providing an income of less than 80% of the comparable income of their region in 1979-1980 (Commission of the European Communities, 1983)*

Germany	76
France	64
Italy	75
The Netherlands	59
Belgium	62
Luxembourg	70
UK	67
Ireland	86
Denmark	81
Eur 9	72

Eur 9, European Community of the nine Member States.

surveys made in the late 1970s, the present situation will show no lessening of the pressure.

This intensification can take the form of greater use of industrial inputs to increase crop and livestock yields or to incorporate non-land-using enterprises such as pigs and poultry. With modern animal nutrition even dairy cattle are being moved more and more into the latter category. However, in most forms of production, intensification leads to conflict with the environmentalists and the conservationists.

*Environment.* The products which come in most frequently for criticism from the environmentalists and conservationists are the arable crops. The use of agro-chemicals of all kinds is being challenged constantly, and considerable pressure is being exercised to change voluntary agreements on codes of good practice into mandatory statutes. This applies not only to straw-burning, but also to the vetting of agro-chemicals for official approval.

Arable crops are also the focus of the often bitter conflicts about hedgerow and tree-grubbing, the ploughing of footpaths, and the despoilation of sites of scientific, historical and archaeological interest.

*Animal welfare.* The pressure exerted by this lobby has increased the legal constraints on certain aspects of animal production: in battery-egg production, veal production, pig production. Much of its effort has, however, been directed towards the welfare of animals used in medical, pharmacological, toxicological, nutritional and other scientific experimentation. The animal welfare lobby is, of course, linked to the vegetarianism movement, and it cannot be denied that these two factors in combination are an influence in the decrease in the consumption of meat, particularly red meat.

*Political clout.* To complete the matrix it is necessary to consider the relative political clout of each pressure and each product.

This is a subject befitting the political scientist rather than the economist. One can, however, suggest that the increasing political influence of the environmentalist and conservationist lobbies is the product of an increasingly affluent society. Just as an individual's motivation moves from the primary desires of secure food, clothing and shelter towards the more subjective 'higher' social needs, so also does this occur in societies as a whole. EC food supplies would seem to be secure, perhaps over-secure.

Nor can one necessarily correlate relative political clout with the number of producers of a particular primary product. There are, for instance, fewer sugar-beet producers than there are pig meat producers. Yet the sugar-beet lobby is often judged to be one of the strongest in the EC agricultural scene. One has only to study the introduction of the levy on iso-glucose to appreciate this. Another example is the political pressure exerted by French sheep farmers compared with French fruit growers.

Although the political strength of the agricultural sector is disproportional to its contribution to the Gross Domestic Product (GDP) of the EC or to its proportion of total employed people, that political strength is waning. This is occurring not



just because the number of people engaged in agriculture is decreasing. There are other pressures; one is beginning to hear comments that there are now more unemployed people in the EC than there are farmers.

### *Conclusion*

The CAP has often been criticized for being insufficiently oriented towards the consumer. Is this because the policy has favoured the production of too much, or too much of the wrong products, and at too-high prices for the consumer? If the criticisms of the COMA (1984) Report are correct, it is much more a question of consumption of tertiary food products than production of primary food products. If people are eating too much of a product, one way of reducing that consumption would be to raise its price even higher by government action. But is it politically feasible for governments to raise food prices by taxation or other means? A cheap food policy has been a British tradition for the past 100 years or more and has become even more embedded in our institutions with the acceptance of indexation for pensions, wages and certain government bonds. Does one need to create this dilemma of having two pricing systems, one for primary agricultural products and another for tertiary food products? Or does the much criticized agricultural policy which seeks to solve the farm income problems by high prices, actually aid and abet the aim of the nutritionists to lessen the consumption of dairy products, animal fats and sugar, and to increase the consumption of fruit and vegetables and vegetable fats because of its price support structure?

Table 8. *Human consumption of agricultural products in the UK (kg/head)*  
(Commission of the European Communities, 1984)

	1973-1974	1980-1981
Total cereals	74	68
Potatoes	100	102
Sugar	46	41
Vegetables	73	78
Fruit	31	33
Wine	5	7
	1973	1981
Milk	144	135
Fresh products (without cream)		
Cheese	6	6
Butter	7	5
Margarine	5	6
Eggs	15	14
Beef and veal	22	22
Pig meat	27	26
Poultry meat	12	14
Sheep meat	9	7
Fats and oils: Total	16	20
Vegetable	5	9
Animal	3	1

Looking at the information in Table 8, it appears that the trends in UK food consumption are following those advocated by the COMA (1984) Report, Changes in consumption, for whatever reasons, are beginning to exert considerable pressure on the CAP. Consumers, and taxpayers, are the ultimate kings and queens.

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