European Community to limit grain production, despite shortages

The extraordinary summit of the European Community on Feb. 11-12 in Brussels decided, as expected, that at least one-fifth of the land devoted to grain production in the 12 Western European member countries will be idled, or "set aside" in the American term now widely adopted there.

This decision was made even though:

- Swiss market sources fear that this year's worldwide grain crop will be significantly below demand. Such warnings are becoming frequent.
- The land used worldwide for grain production since the record year of 1982, when around 240 million hectares were devoted to it, has been in "constant decline," and amounted last year to only 220 million hectares, according to the International Wheat Council.
- American wheat stocks have reached their lowest level since the middle of the 1970s. At the end of the current season (May-June 1988), reserves will be down to about 10 million tons. Two years ago the stockpile was still at 23.7 million tons.

Ceilings on grain, rapeseed

Since farm expenditures represent three-fourths of the EC budget, the CAP, the Common Agricultural Policy was the true protagonist of the summit, called to plan out the four years leading up to 1992, when full European market unity is supposed to come about. Austerity and the lowering of prices were planned for those years, to adjust, according to the prevailing jargon, European supply to international demand.

Total expenditures were fixed at 27.5 billion ECUs (one ECU corresponds to about $1.22), with an annual increase which must not exceed 80% of the increase in the Community's GNP. This introduces an automatic limitation on the budget like the notorious Gramm-Rudman law imposing automatic, computer-determined cuts in the U.S. budget.

Besides lowering the budget, the summit decided on limitation of expenditures for supporting prices for grain, protein seeds, and oil seeds (foreseeing drops in prices of 12% over the next four years for grain, and 10% in 1988 and 13% in 1989 for sunflower); the idling of lands; and the doubling, by 1992, of structural funds (direct aid to victims of the crisis).

A ceiling on grain production was set at 160 million tons per year, up to the year 1991-92, under an absurd mechanism which bears the official name of "agricultural stabilizers." Should the ceiling be exceeded by even one gram, there will be an automatic reduction of 3% in the intervention price paid by the EC to the producers. This measure is on top of a 3% "co-responsibility levy" which is reimbursed at the end of the fiscal year, if the ceiling of 160 million tons is not surpassed.

These crop levels were already reached by the EC the year before last, and will be all too easy to exceed. Especially devastating are the rules for rapeseed, for which the maximum harvest has been set at 4.5 million tons. For every percent of overproduction the price will be cut by 0.45%. Starting with the next crop, this cut will rise to 0.5%. For this summer a crop of 6.3 million is expected—a 40% surplus. That means a price cut of 18%, slashing the price to the producer by more than a third.

The malthusian logic of land "set-aside" (see *EIR* Vol 15, No. 8, Feb. 19, 1988, *Agriculture*) was also confirmed. Farmers who idle at least 20% of their productive cropland for at least five years receive a "premium" ranging from $120-$700 per hectare.

Disagreements

The summit ended by deciding that the agriculture "file" would be closed only after a meeting of foreign ministers on Feb. 22. The motive for putting off the final decision on the so-called agricultural reform, the "Delors Plan," was French Prime Minister Jacques Chirac's opposition to the demand of Britain's Margaret Thatcher that the agricultural "stabilizers" to contain "excess production" be applied also to wine, tobacco, produce, and olive oil. But although the decision was put off, it does not mean that it will be canceled.

The official French farm organizations, which work closely with the French government, have swallowed the EC accord with only token grumbling, because they believe they have a deal with the Chirac government to soften its impact, namely a 500 million to 1 billion franc supplementary aid fund.

In point of fact, French farmers, starting in the hardest-hit regions, are showing growing disaffection with the established organizations, and desperate commando actions such as the sacking of a market in Châteauneuf du Faou during the night of Feb. 10-11, are beginning to multiply.

In West Germany, a new federal agricultural law had already foreseen average price drops for the current fiscal year of around 7%, and for farms concentrated on grain production, cutbacks of up to 17%, even before the EC summit in Brussels. That alone was already far more than most West German farms can endure.

The Italian government pronounced itself satisfied with the Brussels accord, but farmers are gravely worried, particularly the small Italian farmers with under 15 hectares of land, so far exempt from the measures, but waiting for the ax to fall. The World Wildlife Fund, stronghold of the European aristocracy, is jumping for joy. In a signed article in *Corriere della Sera* of Jan. 30, Italian WWF president Fulco Pratesi proclaims he would like to "freeze" 2 million hectares in Italy alone, which would amount to 20% of overall grain production.

What about the Guillaume Plan?

There was not a word in Brussels of the plan of French Agriculture Minister François Guillaume, which envisions an increase in the prices of the international market rather than an adjustment of EC prices to those of the international market.

Thus, while the French-proposed Guillaume Plan calls for confronting the financial interests and their agents from the food and agricultural cartels, by proposing to reorganize world markets on the basis of a parity price, the French government capitulated, in practice, to these same interests, which—via Brussels—are pushing a systematic policy of lowering prices.

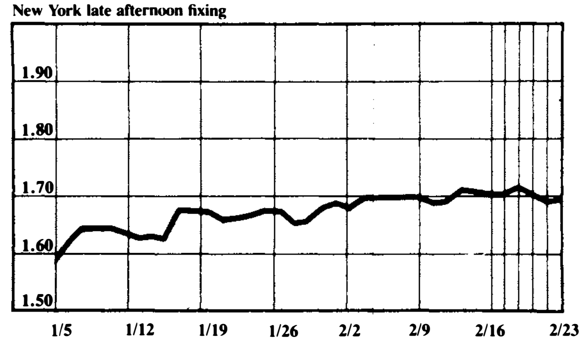
In a news broadcast on Feb. 15 by Vatican Radio, the personal views of Pope John Paul II were expressed during a renewed plea for the "New Marshall Plan" of Guillaume. The program stressed Japanese support for the initiative, following the last visit of President François Mitterrand to Japan. Maurice Halff, the postwar high commissioner responsible for implementing the original Marshall Plan in the French zone, then defended the Guillaume initiative from a recent sardonic attack in the French press. Halff said: "We must recall that the last grain sale to the U.S.S.R. was concluded at 450 francs per ton, while the average price is 1,250 francs. This is what measures the enormity of the mess and the absurdity of a situation where, in the face of the famine of millions of human beings, the mass of surplus grain piles up, which cannot be sold without breaking the price. François Guillaume rejects this dilemma. To get out of it, he requires a return to the practice of the 'just price' and the allocation of the supplementary sums collected in this manner to the cause of the Third World. Again it is necessary that the political will of the great exporting or purchasing nations be affirmed, brought together by a common action in an accepted discipline."

This article was based on reports by Marion Peretti in Italy, Christophe Lavernhe in Paris, and Rosa Tennenbaum in West Germany, and was written by EIR *staff writers.*

Currency Rates

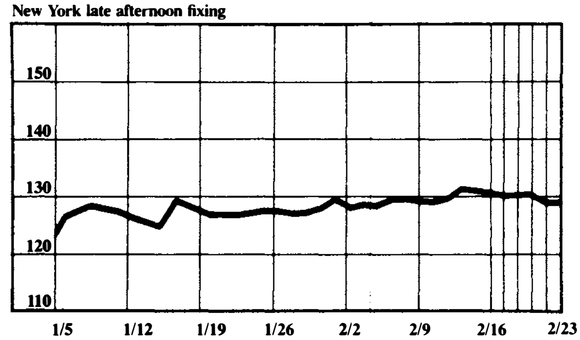
The dollar in deutschemarks

New York late afternoon fixing



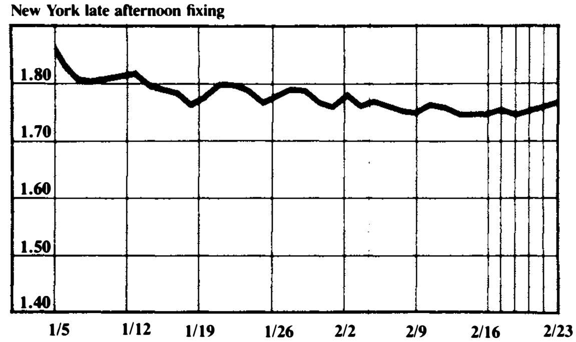
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing