IMPLICATIONS OF THE EEC AND UNITED KINGDOM POLICIES

Two major recent developments have occurred that change the setting but not necessarily the focus of European agricultural policy. These are the formation of the EEC and the EFTA. EEC agricultural policy is based on objectives and attitudes long embedded in national agricultural policies. Changes are aimed largely at arriving at a common market organization but not at reducing, or for that matter greatly increasing, the amount of protection to agriculture. To this point the EEC has not developed a broadly oriented agricultural policy. The principal focus has been on domestic price supports, protection against competitive imports and, where necessary, export subsidies. These policies have recently taken on concrete form and will apply to 85 percent or more of EEC production. While prices are relatively high as shown in table 14, the overall increase from preexisting levels does not appear to be great.[21] Price guarantees will apply to 85 percent or more of EEC agricultural output.

TABLE 14.—EEC: COMMON PRICES FOR SELECTED PRODUCTS

Product	Market[22] price in units of account (1 U.A.=$1 American)	Average U.S. price in Chicago markets, 1964
Soft wheat	2.90 bu	1.46
Barley	2.88 bu	1.01
Rye	2.56 bu	[a] 1.03
Corn	2.97 bu	[b] 1.26
Cattle (on the hoof)	31.11 unit[c]	22.86
Calves (on the hoof)	40.68 unit[c]	[d] 20.99
Hogs	32.66 unit	[e] 17.40
Milk	4.43 unit	[f] 3.37–5.35

[a] U.S. average price received by farmers.
[b] Beef steers, all grades.
[c] Medium quality.
[d] United States, average cost to slaughter, all grades.
[e] 1964–65 marketing year.
[f] Low price is U.S. price paid by condenseries; higher is U.S. average dealer price for fluid use. EEC price is for all milk.
[22] Market prices, while not precisely comparable, tend to more closely approximate U.S. terminal market prices than farm prices.

In evaluating EEC policy, the assumption is normally made that if prices are maintained at high levels this will protect high-cost production and import requirements will be lessened. While this may be true, it falls somewhat short of evaluating the total impact of the EEC. To the extent that the formation of the EEC increases the rate of the economic growth, an income demand effect will take place. If this occurs in the face of prices which are not in excess of the average that would exist in the absence of the EEC, there is a net stimulation to food requirements which increases import needs.

On the other hand, as indicated above, the formation of the EEC may have some stimulating effect on output through providing the basis for specialization and exchange within the community and thus reduce import requirements. The effect of EEC price policy on total production in agriculture, however, can easily be overestimated. Within the range of feasible price levels, it is unlikely that the total resource commitment to agriculture will shift measurably.

[21] For an evaluation of probable changes in prices to farmers due to implementation of EEC policy see D. EEP., "The Impact of Agricultural Policies on Regional Grain and Livestock Prices in the European Economic Community," mimeo, to be published.