

# THE EUROPEAN COMMON MARKET AND CALIFORNIA AGRICULTURE

SIDNEY HOOS · BEATRICE M. BAIN

The economic challenge of the European Common Market must be understood and met not only by the U.S. as a whole, but by American agriculture in general and California agriculture in particular. The U.S. must be able to fashion its foreign economic policy to bargain effectively with these "partners" who constitute an important segment of U.S. international trade. Reconsideration of our bargaining status with the Common Market is necessary so that we can take advantage of all possible concessions. Adequate knowledge of the agricultural segment of the U.S. economy for which our officials are speaking is an absolute necessity in this consideration.

**T**HE EUROPEAN COMMON MARKET is more than a topic of current interest. The terms and prospects for international trade have profound implications for California agriculture in the coming decade and maybe longer.

The founding members of the Common Market (officially, European Economic Community) include France, West Germany, the Netherlands, Belgium, Luxembourg, and Italy. Preceded by the European Coal and Steel Community (1952) and Euratom (concerned with atomic energy, 1958), the Common Market was initiated by the Treaty of Rome, signed January 1, 1958. Its long-term objectives include the removal—by stages—of tariffs, quotas, and other barriers to trade between the member nations and the creation of a uniform external tariff between the Community and the rest of the world.

Other long-term objectives include the elimination of restrictions on movement of labor and capital, wage equalization, establishment of investment funds, common prohibitions against restraint of trade, coordination of monetary and fiscal policies, special assistance to those tem-

porarily harmed by liberalization of trade, and special arrangements for handling trade with former colonial and "associated" territories of the member nations.

The agricultural features of the Common Market organization had been left purposely vague in 1958, merely stipulating a pledge among the members to "establish a common agricultural policy." Now, four years later, this agricultural agreement is beginning to take shape.

Recognizing that agricultural patterns in the Community are the least flexible and most traditional, the establishment of a common agricultural policy might have been the breaking point for the Common Market. The signing of the agreement on January 14 of this year between the six Common Market members overcame a major hurdle in the economic integration of the Common Market. Politically, it was the last occasion when further development of the Community plan could be stopped by the vote of a single member country. The agricultural economic cooperation which had been outlined previously but postponed because of lack of agreement over policy is now getting underway. The United States, as well as the other "outside" nations, is now faced with the need of developing effective procedures for negotiating and dealing with the Common Market as a single bargaining unit in the question of tariffs and other matters affecting trade in agricultural products.

## Removal of barriers

The progress made by the Common Market in the removal of internal tariffs and barriers between member nations—that is, the establishment of a Customs Union—has been notable and rapid. The provisions for a common external tariff have also been accelerated beyond the original timetable, although exceptions for certain agricultural products have had to be made in both areas. In general it can be said that the most important

progress toward the indicated Common Market objectives has been made in the industrial or non-agricultural area.

Although the general rules for removing tariffs and quotas apply in principle to agriculture, other measures of protection are permitted to control trade in agricultural products within the Common Market during the transition period, and to regulate trade between the members and other countries indefinitely. Even though the Common Market countries as a group have long been net importers of agricultural products, restrictions on such imports have been used to improve agricultural income within each individual country. After a transition period, even though the market for farm products within the Community will be free of tariffs and other barriers among the members, it will be a managed market with prices to farmers maintained at agreed levels by Community intervention. Many farm products could thus be effectively insulated from world markets.

## Farm incomes

In general, the Common Market countries are still troubled by the age-old problem of millions of farmers and farm workers earning a very low income on

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uneconomically small farm units; transitions and shifts are expected to be slow and painful. The Common Market can be expected to attempt to improve the situation of its agricultural population taken as a unit. Farm groups are likely to push for Common Market prices above world prices and resist expansion of imports. However, industrial and manufacturing interests of the member nations, with an eye on the U.S. market, may be willing to support concessions. With increasing prosperity among the Common Market member nations, expanded trade might also be a source of increased imports. Therefore, although some degree of self sufficiency in food and agriculture for the Common Market nations is probable, the actual prospect for U.S. agricultural exporters remains to be seen.

### Probable members

Evidence of the prospective status of the Common Market is shown in the decision of the United Kingdom to seek membership. Under differing conditions and with varying degrees of probable admission, at least eight additional countries are considering seeking membership or association—Greece, Turkey, Denmark, Austria, Switzerland, Sweden, Spain, and Ireland. Norway is said to be another probability. The traditional patterns of international trade, including those of agricultural products, may well change during the coming decade.

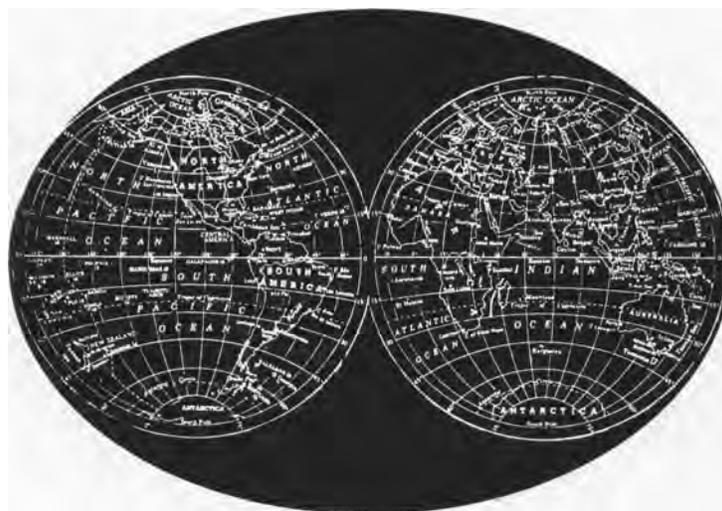
The emergence and development of the European Economic Community is consistent with the foreign policy of the United States during the post-war years. American foreign policy since the formulation of the Marshall Plan and the establishment of NATO affirm this view. The Common Market may well be considered as a vehicle for "locking" West Germany into the Western system of representative parliamentary democracy, the economic aspects being a primary stage.

### California agriculture

The size, commercialization, and income-generating characteristics of California agriculture are well known. California is the nation's leading agricultural producing state in terms of farm value of production—currently valued in excess of three billion dollars annually. With about 2 per cent of the nation's cropland and

nearly 6 per cent of the country's farms, California agriculture alone accounts for close to 10 per cent of the nation's farm income. The essential characteristic of California's agriculture that does need to be emphasized is its *diversity*.

California agriculture produces over 200 farm products which are commercially grown and marketed. Although the largest *single* income-generating farm crop in California is cotton (including lint and seed), it accounts for 11 per cent of the State's farm income. No single crop or individual group of farm products dominates California's agriculture. As much as 38 per cent of the State's farm income comes from fruit and vegetable crops, in the production and marketing of which California leads all other states.



Nonetheless, each single product, if considered alone, represents only a minor portion of the state's farm income. Furthermore, with the exception of cotton and rice, California's farm products are not in the large-volume national crop category often referred to as "basic" and considered "politically sensitive."

This is the essential issue involved when considering the position of California agriculture in the international trade picture, and particularly when confronting the new problem of the Common Market.

In 1960, American agricultural exports to the Common Market had a value of over one billion dollars. Approximately one-third of all our dollar exports in agriculture were destined for the six member nations of the Community and another third went to countries that will probably join or associate themselves with the Common Market.

American exports of farm products are now at the record level of nearly five bil-

lion dollars with 70 per cent moving as dollar sales. This total represents about one-fourth of all U.S. exports. The Common Market countries alone are the destination for an expanding total of all U.S. exports. The 1960 total for all U.S. exports to the Community was valued at nearly 3.5 billion dollars, excluding those exports whose record cannot be disclosed for security reasons.

Agricultural trade with the Common Market is generally important in terms of U.S. exports and California's position is unique. Exports are significant for certain crops grown in California such as cotton, rice, dried fruits (for example, prunes and raisins), certain canned fruits such as cling peaches, and pears, some fresh deciduous fruits, oranges, lemons, dried beans and legume seeds. Furthermore, in sharp contrast to general trade in U.S. agricultural exports, fruit, vegetables and nuts change hands for dollars in commercial channels.

Large aggregate statistics combined in broad categories may not show California trade in any one commodity as a single important national factor. But one export commodity produced almost exclusively in California may find the Common Market an essential part of its current trade pattern. Taken as a group, furthermore, the agricultural commodities that do export to the Community may have an impact on California's total economy particularly when considered in their income-generating role. Again, these are not necessarily "basic" crops whose total export trade is a significant proportion of total national trade abroad.

### Import pressures

In addition, certain California-produced agricultural products are under continuous import pressures—dates, figs, olives and their products; sporadically, imports of almonds and walnuts and concentrated lemon juice exert domestic pressure. Again, none of these are what might be designated as "politically sensitive" crops.

The successful culmination of the aims and goals of the expanded Common Market, even stretched over a decade, will force changes in international business in farm products. These may include wheat, other grains, and meat and dairy prod-

ucts. But there may also be changes in traditional patterns and terms of trade in fruits and vegetables—in which California's agriculture has an important stake. In the large-volume "basic" crops, the total national picture and size of U.S. interests and bargaining dimensions are known and repeatedly voiced. In items such as California's fruits and vegetables, individual products inadvertently may be "lost in the shuffle."

### Bargaining concessions

The agricultural industries, including fruits and vegetables, in California need to recognize in realistic terms the important fact that bargaining means concessions as well as gains. The potential for the expansion, or even the maintenance, of exports is not independent of the terms that can be negotiated with the Common Market and its probable additional members. In addition to the over-all national economic and political aspects to weigh in the balance, concessions in industrial imports which particularly benefit agricultural industries, as customers, must be counted. Still, some California agricultural products may have to offset gains in other agricultural products whether California-produced or not. Yet balanced burdens and gains can legitimately be sought. But these gains or losses are not always measured in terms of tariffs; import controls, quotas and quality restrictions. Other barriers to trade often are equally as important.

U.S. officials and negotiating representatives should be kept informed and aware of the special position of California agriculture, which finds many of her important export products falling outside the "politically sensitive" crop area. But adequately reasonable bargaining powers must be granted our representatives to be sure that all possible advantageous terms can be obtained. Favorable removal of restrictions can only be sought with corresponding bargains made on the part of the U.S.—with adequate safeguards being kept in mind.

A "head in the sand" policy will not cause the Common Market to disappear, nor is a negative approach advisable. The facts of the Common Market situation must be faced. A constructive posture is necessary. The best possible trade terms must be sought in the light of general as well as direct self-interest. To that end, the proposed Trade Expansion Act of 1962, now in Congress, is relevant and will be discussed in a future article.

*Sidney Hoos is Professor of Agricul-*



# BIG CLUB 60

—an improved and branded wheat

COIT A. SUNESON

**B**IG CLUB 60 WHEAT, a product of the cooperative wheat breeding investigations of the California Agricultural Experiment Station and the U. S. Department of Agriculture, is now offered as an upgraded and branded replacement for Big Club 43. The upgrading involves improvement in the stem rust and barley yellow dwarf virus resistance. The brand is a purple straw.

Big Club 43 was the first triple resistant (bunt, stem rust, and hessian fly) wheat produced by breeding in America. On heavy soils in the more humid parts of California, where it is best adapted, it has served farmers well. It has also been a very good "guinea pig" for plant breeders concerned with evaluating breeding principles. The resistance to both bunt and hessian fly has shown no signs of weakening in 18 years of use—predominantly in areas with historically

high prevalence of these pests. This is thought to result from its "genetic diversity."

Big Club 60 is a product of backcross breeding. Equivalents of Big Club 43 with (1) purple straw and (2) greater stem rust resistance were intercrossed over two generations. A somewhat greater tolerance to barley yellow dwarf virus is associated with the purple straw. The best stem rust resistant strains of Big Club 43 were selected under epidemic levels in 1955. The breeder's seed of Big Club 60 was formed from pooling 103 F<sub>3</sub> lines. Registered seed was produced in 1962 and will become available for commercial planting in June.

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