# America's biggest farm customer speaks up

BRUSSELS, Belgium — Despite frequent claims that the European Economic Community's common agricultural policy is a threat to international trade, the Community increases its imports of US farm products every year.

The nine-nation group is by far the largest single customer of the US farm industry—taking more than a quarter of the total $10.6 billion US agricultural exports in 1978-79. In 1979-80, it is estimated by the U.S. Department of Agriculture that U.S. farm exports to the Community will rise to $3.5 billion out of total expected US farm exports worth $14.25 billion.

The major export items to the EC Nine are grains and soybean products and much smaller quantities and values of meat products, poultry, and specialty foods. Grain and soybeans go primarily to the EC animal production industry, with imports of corn from the United States running at an annual average of around 12 to 13 million tons.

Expansion in the EC dairy, pig, and poultry industries has been a major factor leading to a rapid expansion in the import of soybeans and soy meal into the Community. Imports of soybeans and meal currently total around 12 million tons a year, compared with little more than three million tons at the beginning of the 1970's.

Of the total $6.6 billion in US farm goods purchased by the Community in fiscal 1978, soybeans and other oilseed products accounted for $3 billion. Traditional feed grains accounted for $1.2 billion.

The other major items bought from the United States were animal products ($624 million), tobacco ($454 million), and fruit products ($174 million).

These figures dispute the frequent claim that the CAP has progressively locked out imports of US agricultural products from EC nations.

In the words of one agricultural trade expert, Dr. H. J. Kolshus, until recently European director of the US Feed Grains Council, "The locking out theory is a myth; the Community's agricultural trade system is based upon international trade with Community preference, not on external blockage."

But what about the other side of the story—EC agricultural exports to the United States? Here the picture is not so rosy, at least from the European point of view. EC farm exports to the United States—principally wine, wine products, and limited amounts of meat and dairy products—have, after remaining static in the 1970's, actually declined during the last five years with a consequent worsening of the US-EC agricultural trade balance.

From a balance in favor of the United States of $1.4 billion in 1968, the advantage rose to more than $7 billion in the late 1970's. Although probably 30 per cent of the EC deficit was due to the decline in the dollar's value against the European currencies during this period, the balance still increased substantially in America's favor.

Not unnaturally, the path of EC-US agricultural trade has not been particularly smooth over the last decade. Rivalry for markets—both their own and in third countries—has been an inevitable consequence of the expansion in agricultural trade that has resulted from the application of modern technology on both sides of the Atlantic during the late 1960's and the first half of the 1970's.

A particular bone of contention is what the Community regards as the massive concessions given to the United States through the trading arrangements for oilseeds. These allow annual imports of 12 million tons of soybeans and meal to enter the Community levy-free.

When the General Agreement on Tariffs and Trade was negotiated, the Community agreed to no customs duties on soybeans and other oilseeds not produced in any significant quantity in the Community. This "GATT binding" has meant that US soybean imports have been able to enter the Community unhampered by the heavy import levies paid on other feed grains such as corn and barley.

EC cereal growers increasingly complain that US soybeans and meal are imported not only for the value of the protein they contain, but also for the carbohydrate content. The relatively low price of US soybeans thus allows them to displace substantial quantities of EC cereal in mixed animal feeds.

On the broader front, the so-called "grandfather clause" written into the original GATT in 1945—which allows the United States to control access to its market for agricultural products and to demand compensation for any interference with access to other GATT signatories' markets—is a particular thorn in the side of the EC farm export industry.

This GATT clause and its extensive use by the US Government in the first half of the 1970's brought US-EC agricultural trade relations to an all-time low point in the middle of the decade.

The tattered state of the relationship was typified by an exasperated outburst from then EC Agriculture Comissioner Petrus Lardinois. In a speech to the US National Soybean Processors Association, Lardinois said: "We have the impression that America is purposely treating agricultural trade as a one-way flow. You preach free trade when it comes to other people's internal markets, but you practice rigid protection at home. For us Europeans, America has become the most protected farm market in the world. Each time our traders discover some growth in an American market, measures are taken against them."

As an example, Lardinois quoted US action on a major EC export product—canned ham. Pointing out that Community exports to the United States had been cut by 30 per cent—from 104,000 tons to 72,000 tons—in the 1973-75 period, he argued that this regression had been entirely due to countervailing import duties levied by the US Government.

Since that time there has been intermittent sniping from both sides. Most recently, the Community restricted imports of US turkey-meat in retaliation for US duties on cognac and other EC food products.

There has been, however, fundamental improvement in US-EC agricultural trade relations since 1976-particularly since the completion of the Tokyo Round of multilateral trade negotiations in the GATT in 1979. In return for what one USDA expert calculates as significant concessions on $4 billion worth of agricultural trade among the 41 GATT signatories with whom the United States reached agreement, the US Government gave concessions on about $2.6 billion worth of trade on the US market—principally in animal products and grain.

The bulk of these concessions were given to developing countries, with the Community gaining limited improved access in cheese, beef, and lamb. But problems remain for both sides of the transatlantic partnership.

The continued increase in US soybean deliveries to the EC market are seen by a large section of the Community farm industry as a major cause of the current level of EC dairy surplus—now reaching, in raw milk terms—20 percent of total annual production.

The increasingly efficient dairy sector is using compounds based mainly on soy to boost its yields and thus produce milk for which there is no market. An influential section of the farm lobby argues that this increase in production would be impossible were it not for the availability of cheap soy meal.

This lobby continually argues that some form of restriction must be imposed on soy imports if the growth of dairy production is to be checked. Although the EC authorities have steadfastly stood against any conventional limitation of soya imports—import levies, quotas, or duties—Agriculture Commissioner Finn Gundelach told the European Parliament that he intends to discuss with the US Government some form of "auto-limitation" of soya deliveries to the European market.

What the Community would like to see is imports kept to their present level so as to limit the extent to which dairy production can be expanded.

US trade relations will of course be complicated by Community enlargement during the 1980's to include Greece, Spain, and Portugal.

Spain is a substantial importer of feed grains, and although it is initially likely to enjoy import levy concessions on corn imports from the United States, there will be increasing pressure from grain producers in the Community for Spain to accept more grain imports from the Community itself.

This pressure is likely to be intensified by the expected growth in the Community's production of feed wheat during the next 10 years.

The olive oil production of the three new member states is also going to produce particular complications. Recent estimates by the EC Commission suggest that EC support of this market could cost over $800 million by the late 1980's.

In an attempt to recoup some of this cost, it has been suggested by some members of the Commission, but not whole-heartedly accepted, that a production tax be imposed on all oil crushing plants. Were such an idea to be accepted, it would apply to soy oil as much as to Community olive oil.

But the one certain thing is that the Community's demand for animal products is unlikely to diminish, and probably will increase, as a result of enlargement. The extent to which this provides opportunities for US and other non-EC producers will depend more on the political atmosphere than on the agriculture and food industries themselves.

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Trent Woods of Nashville, Tenn., has crafted more than 300 wood items as a participant in the national 4-H wood science program, supported by Weyerhaeuser Company Foundation.

# 4-H'ers get creative with wood

NASHVILLE — For Trent Woods, a 17-year-old Nashville, Tenn. high school senior, crafting wood items comes naturally. Among his achievements are a glass-topped entomology curio cabinet with four slide-out cases and a large wallsized bookcase with a lower cabinet made of rough-sawed poplar, both from original designs.

"I must have been born with a little sawdust in my blood, because my father, brother and grandfather are all woodworking craftsmen," says Woods. He has crafted more items, most as a participant in the 4-H wood science program. He was one of six national winners in the program last year.

As part of his desire to preserve family heritage, the youth reconstructed and refinished an antique typeset drawer and refinished 16 pieces of furniture, and used his woodworking skills to help build a garage and a 26x30-foot woodworking shop with a complete second floor

4-H members in the wood science program work on a wide variety of creative projects They tackle such learn-by-doing projects as building bird and dog houses, making attractive gifts from scraps of wood, remodeling homes and businesses and making lumber from hardwoods grown on the family farm

Members develop skills in the selection and appropriate use of various types of wood and wood products, explore career opportunities associated with the manufacture and utilization of forest products, and develop an awareness of the business and economics of the forest products industry

# Farm Business News

## Canadians to guarantee M-F refinancing

TORONTO, ONTARIO — Massey-Ferguson Limited reacted with great satisfaction to the joint announcement of the governments of Canada and Ontario that they "are prepared to guarantee the capital risk of a portion of the new equity investment' in the company from the private sector providing various conditions are met including a satisfactory degree of co-operation from existing lenders "

The company's refinancing plan comprises a total package of $700 million (Canadian) of preferred and common shares Of this total, $200 Million is proposed as common or preferred shares, carrying a government guarantee as to a substantial portion, which are to be purchased by an investor or investors acceptable to the governments $150 Million as convertible preferred shares to be purchased by Canadian Imperial Bank of Commerce; and $350 Million as an underwritten public issue of convertible preferred shares guaranteed by the company's other lenders

Canadian Imperial Bank of Commerce will undertake to purchase any unsold balance of the public issue up to $150 Million

The major participation of the Canadian sector should provide a strong incentive to other lenders around the world to give their support to enable this package to be realized.

The conditions to the governments' guarantee are expected to include company undertakings with respect to its Canadian operations and some restructuring of the company's existing debt.

This refinancing plan entails the infusion of $425 Million of new equity and the conversion of $275 Million of debt into equity

This action by the two governments is a crucial step which will allow the company to press ahead with negotiations with its principal lenders and prospective investors