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The static welfare effects of the accession to the European Union on the Finnish agricultural markets

Keywords integration, European Union, Common Agricultural Policy, Finland, welfare analysis,

Abstract

Finland's entry into the European Union in 1995 and the application of the Common Agricultural Policy have had major repercussions on Finland's agriculture, which faces the major disadvantages of an unfavourable climate and farm structure. This paper attempts to measure the direct static welfare effects associated with the opening of Finnish agricultural markets for more competition. Using a standard comparative static partial equilibrium analysis in the Marshallian economic surplus framework, the welfare effects are calculated for eight major cereal and livestock commodities produced in Finland for the year 2003. The results suggest that farmers, despite the growth in direct payments, have incurred large annual welfare losses ranging from EUR 570 to EUR 600 million. Consumers, on the other hand, have gained from the accession between EUR 815 and 875 million annually. The taxpayers' have gained – as a result of the decrease in the direct subsidies and export restitutions paid by the national budget – between EUR 470 and EUR 580 million. The net welfare benefit in Finland, in terms agricultural sector only, was a welfare benefit of EUR 500–700 million in 2003.

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