"COMMON AGRICULTURAL POLICY IN THE ROUND"

SPEECH BY CHRISTOPHER TUGENDHAT, Member of the EEC Commission
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One of the most maligned features of the European Community is the Common Agricultural Policy. There is a dangerous tendency developing in some parts of the Community to blame the CAP for being the primary cause of inflation. This is not true, and today I would like to set the record straight.

As the CAP is particularly unpopular in Britain, and as I am speaking to a function organised by a British group, I will do so by referring to the British experience. And let me start by saying that I quite understand the British public's concern over food prices. In the eight months from August 1976, when Phase Two of the Government's income policy began, the retail price index went up by 11%, and the food price index by 18%. No wonder some politicians are looking for a scapegoat!

But can the CAP be justly blamed for these increases? If we look at the movement of the individual components in the food price index in the period to which I have referred we find that the products covered by the CAP - which include meat and dairy products but by no means all the food Britain consumes - went up on average by 9%. However the products not covered by the CAP - which include fruit, vegetables, potatoes, tea and coffee - went up on average by a staggering 26%. Indeed in this period tea went up by 64.6% and coffee by 73.5%.

These figures make it clear that the main responsibility for food price rises must lie with quite different factors than the CAP. And it is not difficult to see what some of these must be. Obviously one cause is the effect of last year's drastic depreciation of sterling, which has greatly increased the cost of the food Britain imports. Another factor is the huge increase in the costs incurred by British food manufacturers and distributors who have had no choice but to pass on to the consumer the much higher prices they have had to pay for items such as petrol, oil, But what about the argument that Britain could buy food more cheaply outside Europe? At any given time, it may be true that small quanitities of particular products are somewhat cheaper in the world, than in the European market. But the days when Britain could rely on regular supplies of cheap food from primary producers are over.

It is sometimes claimed that if it was not for the CAP Britain would be importing New Zealand butter and Commonwealth sugar at the world price. This is not the case. Before joining the Community our sugar imports were made at a fixed price, often well above the world level under the old Commonwealth sugar agreement. Britain paid a higher price partly to ensure security of supply and partly to help the economies of countries dependent on cane sugar. Those arrangements have been taken over by the Community under the ACP agreement. There is no reason whatever to suppose that inside or outside the Community Britain would be paying less for Commonwealth sugar.

Similarly with Butter. It is quite wrong to suppose that before joining the Community ~~we~~ Britain imported it freely. On the contrary, it was controlled by import quotas. Under the Community system ~~we~~ Britain pay a special price to New Zealand for the quantities which ~~we~~ Britain purchase. Far from offering to sell this butter more cheaply, the New Zealand Government is at present seeking a higher price to cover increased costs.

Of course the CAP has problems, in particular the problem of expensive and wasteful surpluses. This year the Commission attempted to reduce excess production by recommending only very modest increases in support prices in the 1977 farm prices settlement. Regrettably, however, the Council has decided instead on a higher level of support prices and smaller reductions in MCAs - thus exacerbating the problem of surpluses, and imposing ~~at~~ great cost ~~to~~ on the European Budget.

This is by no means the first time that the Council has increased the expense of the CAP. And it is my belief that the Council's attitude towards surpluses and costs reflects an institutional problem which the Community can no longer afford to ignore: namely, the inadequate representation in the decision-making process of the interests of the consumer and the taxpayer.

At present discussion on agricultural prices takes place almost exclusively between Agricultural Ministers who understandably conceive their primary responsibility to be to support their different national farming lobbies. The consequence of this is that each Agricultural Minister tends happily to accept the price increases sought by his colleagues on condition that they in turn accept the increases which he wants for his own farmers.

I believe that this tendency of the Agricultural Council thus to favour one section of society at the expense of the rest will only be corrected if we find ways of more fully engaging the representatives of consumers and taxpayers in the yearly farm price negotiations.

But while emphasising the need for reform, I also want to stress the importance of not being carried away by the issue of surpluses. In particular it is essential not to exaggerate the scale of the problem. After all, even the notorious butter mountain only represents, on the basis of the latest official figures, 1.27 lbs per head

Let us remember, too, that Europe needs a strong agricultural industry. In a world where the population is growing at terrifying speed, plentiful and secure supplies of food are assets for which we should be profoundly grateful. Obviously we must aim for a sensible balance between production and demand; and this is precisely what the Commission endeavours to achieve. For the reasons I have stated it does not always succeed. But when it fails it is important to remember that a surplus - despite the expense and embarrassment it causes - is very greatly preferable to a shortage.