Notes for Speech by Sir Henry Plumb
President of Comite des Organisations Professionelles
Agricoles de la CEE (COPA) and of the National Farmers'
Union of England and Wales to the National Farmers'
Union of the USA on Tuesday March 8th 1977 at the
Municipal Auditorium in San Antonio, Texas.

As a Briton, I do not feel altogether a foreigner in the United States. Apart from the opportunity which a visit to your country gives me to contact many old friends, I am conscious, as any Briton must be, of the more general bonds which link our two countries. There is our, more or less, common language. There is our history, which in many ways has helped to forge attitudes and ways of thought which show a common heritage.

As a Briton, of course, I am also conscious of the diversity of the United States: a diversity of geography, of climate and of peoples. Such diversity cannot be matched in the United Kingdom even although, in what must seem to you an incredibly small area, we do have quite a variation in land types and in weather, not to mention the differences between English, Welsh, Scots and Irish. But as President of COPA, I have become much more accustomed to diversity.

There is perhaps one big difference between the United States and the Community. Whereas you have had 200 years (or should I say 201 years) in which to find an identity and to develop policies and ways of doing things which are acceptable to your people, we have had less than 20 years to discover ourselves.

The European Community

The European Community which was founded in 1957 by the signing of the Treaty of Rome and now includes nine countries, was set up to establish an ever closer union among the peoples of Europe and to ensure economic and social progress by common action. But above all people felt a need to put an end to the numerous wars which had taken place in Europe over the centuries.

It was also apparent at that time, first, that if the individual countries of the Community were to have any force in world affairs they would have to join together and develop common policies, and secondly, that greater economic development could best be achieved through the creation of a large unified market unimpeded by frontiers. Considerable progress was made during the 1960s in bringing together the six original member countries - a common customs union was established. A common policy towards trade with non-member countries was created and common rules were laid down regarding competition among firms. Helped by general world prosperity, trade in the Community developed and now the EEC is the world's first trading power and the standard of living has increased enormously. In 1973 the UK, Denmark and Ireland joined the Community and together these nine countries represent a population of 260 million (compared with some 225 million in the USA) and a vast variety of climates, cultures and languages from north Scotland to the southern tip of Italy, from France on the west to Germany in the east.

Progress has also been made establishing common policies in the sphere of regional, social, transport and energy matters. For example, there is a Regional Fund which is used to transfer resources from the richer to the poorer regions of the Community. In 1978 the Community will have its own direct source of finance through taking a part of the value added taxes levied on goods in all member states. Perhaps one of the most significant developments is the recent move towards closer political union through an agreement reached to establish a European Parliament with members directly elected to it by universal suffrage.

It is hoped that greater political union will help to provide a further much needed impetus toward unity, particularly in the economic and monetary sphere. The major problem facing the Community at the present time is the wide economic divergences between the different member countries illustrated by the fact that the rates of inflation vary from 4% in Germany to 18% in Ireland and Italy (about 16% in the UK). This situation is putting existing common policies at risk and is slowing down further progress. It is a problem those of us in agriculture know only too well since agriculture is the one sector in which a far-reaching and comprehensive

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common policy has been applied for any length of time, a common policy which goes far beyond just the adoption of common rules on trade. Perhaps we are too impatient for integration. When one thinks of our long history of war in Europe, we have perhaps achieved quite a lot in a short time. We have at least benefited from the longest period of peace between our nations for many centuries.

Common Agricultural Policy

The European Community like the United States, and indeed I think virtually every country, believes that an active agricultural policy is essential to help ensure adequate food supplies for its people, to enable farmers to earn fair incomes and, more generally, to provide a relatively stable element in the economy. In the United States you were able to evolve, fairly gradually, a system which you believe to be reasonably satisfactory. You have worked out methods of support for a number of key commodities, operated in the main on a Federal basis. You are also concerned to deal with regional problems - I believe your Government even pays some attention to peanuts!

In the Community, where, like you, we have to deal with products ranging from the cool temperate to the sub-tropical, the working out of an agricultural policy has been rather more difficult.

The six founder members of the EEC had the job of reconciling the previous national policies or of finding new policies which, equally, could be acceptable to all. If Britain had been a founder member, the job would probably have been even more difficult as our old system, based essentially on deficiency payments, differed radically from all the others. But even without this difficulty, the hammering-out of a common policy involved sacrifice and compromise. And, I should emphasise that this was not a once-for-all operation. The CAP is far from static. It continues to develop and, where necessary, to change in response to new stresses and new demands. The enlargement of the Community to include the UK, the Irish Republic and Denmark has meant further pressures on the CAP and additional interests to be satisfied.

Nor is the Community concerned solely to satisfy its own people. Considerable regard is paid to the interests of the developing countries and this has found practical expression in the agreement with the ACP countries over sugar and other commodities as well as in the scheme of generalized preference.

As you no doubt know, the CAP is based essentially on market support arrangements. These arrangements differ from those you have in the United States but their aim, and I make no apology for repeating this, is similar.

We each try to safeguard both producers and consumers and in doing so to develop methods which are most suited to our particular conditions. The same might be said of the other aim of the CAP - structural policy. The Community aims to improve farm structure by providing aid for investment in modernisation, by encouraging land amalgamation and by early retirement, etc, whereas the United States has sought structural improvements through schemes to improve water and power supplies, to assist rural transport and generally by the provision of adequate rural credit.

The CAP has been of great help in the development of Community agriculture over the past 15 - 20 years. This is shown not merely by an expansion in production but by continued improvements in productivity. To take only one example, despite the increase in output, the number of people engaged in agriculture has been reduced by more than a half. Now only 9% of the working population are employed in agriculture compared with 22% when the Community was founded. During the recent recession this outflow of labour has been considerably reduced with the lack of alternative employment and about 6 million unemployed, but the overall impression of Community agriculture is of rapid progress in the improvement of farm structure, of labour usage and of technical efficiency.

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Agriculture contributes 5% to the GDP of the Community and enables the Community to be largely self-sufficient in high quality wheat, barley, rye, oats, potatoes, cheese, poultrymeat, pigmeat, beef and veal, eggs, butter and wine. Nevertheless, the Community has not sought to achieve self-sufficiency at any price and remains a substantial net importer of farm products. Thus agricultural products represent only 7.7% of total Community exports, while they represent 21% of Community imports. International trade is, therefore, of great significance to the Community as the world's largest importer of agricultural produce and to the United States as the world's largest exporter.

The trading relationship between the United States and the Community is of immense importance on both sides of the Atlantic as the Community imports a fifth of its agricultural requirements from the United States and is that country's largest single market.

In addition to the fundamental differences in the historical development of agriculture in these two communities, the legal basis for international trade is also very different. Both you and we are members of the GATT though with different rights and obligations in the agricultural sector. The United States only accepted the GATT after it had been granted a waiver for its agricultural products.

At the time, just after World War II, world market prices were lower than those in the United States and the abolition of quantitative restrictions, as demanded by GATT, would have meant the collapse of US domestic farm policy. However, the waiver still applies today so that the US can take retaliatory measures against the Community while the latter, because of its GATT obligations, cannot take similar action against the US.

The Community is frequently accused of following a too-protectionist agricultural policy largely because of the imposition of a variable levy on a large number of agricultural imports from non-member countries at times when the price of these imports falls below prices prevailing in the Community. But is it true to say that the EEC common agricultural policy has really been an obstacle to trade with non-member countries and has unduly protected the EEC producer?

If we examine the development of trade in agricultural products between the USA and the EEC, we see that between 1970 and 1975 US exports in value terms have increased by 170%, while EEC exports to the USA increased by only 52%. Trade in products such as citrus fruit, fruit juices, tobacco and oilseeds, which are not subject to a levy, has increased by 130% over the five year period while trade in the levy products has risen by no less than 260%.

Before our entry into the EEC in 1973 the fear was expressed that the UK would diminish as a market for US agricultural products. This has been far from the case. In 1972 total UK agricultural imports from the US stood at £245 million, these increased by nearly a third during the first year of our membership and were 90% higher when comparing 1976 with 1972. During this period the value of maize imports shot up by 150% and even meat and meat preparations increased by 83% while fruit and vegetable imports were 2.8 times greater. However, it is not only the value of products that has risen. Look at soyabeans which increased their volume by a third in this period.

The rapid development in Community trade is not only a reflection of price changes but reflects an increase in the volume of US exports to the EEC while EEC exports to the US have remained steady or even declined. In fact the only case where EEC exports have increased in volume terms is for wine, malt liquors and fruits. When one looks at the overall trade balance one finds that in 1975 US exports of agricultural products to the EEC amounted to $5.6 billion, while US imports of agricultural products from the EEC amounted to only $1 billion, leaving a deficit of $4.6 billion. The reasons for this growing deficit are, as the former EEC Commissioner for Agriculture, Mr. Lardinois, stated in a speech in the

USA in August last year that, I quote: "In the last two years our exports have been shut out of one American market after another. This has happened to far too many products for it to be just a coincidence. We have been kept out of your dairy market by a rigid system of quotas. We are being pushed out of the market for canned hams.

Consider the case of canned hams, produced mainly from materials coming from the United States - soyabean and maize. In the three years from 1973 to 1975, our shipments to your market were cut back by 30% (from 104,000 tonnes in 1973 to 72,000 in 1975). They are expected to go still lower (65,000 tonnes) in the current year."

In the dairy sector, through your rigid system of controls, and mainly diminishing quotas, imports of cheese from the Community into the USA have declined from 161 million lbs in fiscal year 1973/74 to 77.5 million lbs in fiscal year 1975/76.

The opportunities for product development are what interests us both. We in Europe firmly believe that with your enormous population you have tremendous scope for raising the consumption of cheese, especially when you bear in mind the enormous number of varieties which we have in Europe, and that far from harming your own milk producers, they would stand to benefit from the expanded market and then we could more legitimately buy your soya to produce milk products without creating embarrassing surpluses of butter - which incidentally we are unable to export to you.

Your exports of soya beans to the EEC have, in fact, increased by 4 million metric tons since 1962, which represents an increase of more than 300% and US export of oilcakes and meal to the Community have increased tenfold, reaching 2.9 million tons in 1976.

This means that our farmers rely for more than 60% of their oilseed meal requirements on the USA and shows how important these exports are, together with your exports of maize to the Community, for the maintenance of American farmers' income. But you must also understand the importance for the European farmers of their exports of livestock products to the USA based on these imports of feed. European farmers believe that in return for taking your feedstuffs, you should be prepared to open your markets to the dairy and meat products produced from them.

The facts show that the EEC common agricultural policy has not been an obstacle to trade. Indeed, although the agricultural policies of the EEC and the US are very different

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in their mechanisms, one cannot be said to be more protectionist than the other. Both aim to ensure sufficient supplies of food through providing some guarantee to its producers in one form or another at the least cost and as efficiently as possible.

Therefore, instead of quarrelling, we should recognise that we are the two most important trading partners in agricultural products in the world. Further, each of us has a responsibility to see that some order is brought into international trade in agricultural commodities, and for our part we would like to see a more two-way traffic in food exports. That is the best way to safeguard a relationship which means so much to farmers and consumers in the Community and America, in developing countries and to all those who have an interest in secure and stable world food supplies.

Both the United States and the EEC have been partaking in the global discussions on the so-called New International Economic Order. From the agricultural viewpoint the Community is anxious to help stabilise world markets for commodities through international agreements operating through a price mechanism and, where appropriate, incorporating a system of stocks. In the case of cereals, for example, this

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sort of agreement would not only provide more stability but would also provide food from the stocking system in times of emergency.

In the National Farmers' Union in the UK we have for many years supported the idea of international commodity agreements. In fact since the early 1970's we have been proponents of specific proposals for commodities such as cereals, dairy products, meat and sugar. Our proposals are in line with those of IFAP, of which your own organisation is a member, and have the backing of COPA. The basis of the EEC proposals for cereals, put forward in the agricultural sector of the current multilateral trade negotiations under the GATT, closely follow our NFU and COPA thinking. So far, discussions have only takén place on wheat but have proceeded in some detail on the various mechanisms involved and, later on, other cereals are likely to be involved. In fact, the proposal made by your previous Secretary of State, Dr. Kissinger, in the autumn of 1975 was for a reserve comprising wheat and rice.

However, the proposal for this sort of reserve could only be envisaged by the Community as the starting point for a fully-fledged commodity agreement.

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We appreciate that any further developments of American ideas and policies have been hampered by your Presidential elections, but we now look forward to the involvement of your new trade negotiator and to the clarification of US policy. It will be encouraging for the rest of the world to see the Americans taking a full part in the current key negotiations after the necessary pause imposed by events over the last twelve months.

I think I can make you this promise. We shall be prepared to meet you half way on moves that are genuinely designed to bring about an expansion in outlets for farm products in our respective communities on either side of the Atlantic. What we will simply not tolerate is a trade off between <u>your</u> industrial and <u>our</u> agricultural products. The philosophies of the last eight years evident in Washington have got to give way to an understanding that in the rest of the twentieth century the world is going to need the food produced not only in the United States but in the European Community too - and in increased quantities to feed, by the year 2000, the 7000 million people or so of this planet at anything like an adequate level of nutrition.

So let us work together to see that our governments, after years of bickering and lack of foresight, at long last put into effect the plans for <u>international</u> agricultural stability - already worked out by us in IFAP and COPA -

which are the necessary complement to those that we already have for <u>national</u> stability. Our farmers need both, and you and we have a common and major task ahead of us.

We have been given some reason to hope that your new Administration is prepared to take a fresh look at the whole problem of international agricultural co-operation in the months ahead. We in Europe will hope that President Carter's inaugural references to new opportunities will extend to the aspirations shared by us all to improve conditions world-wide for those working and living on the land.
