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PRESS RELEASE FROM

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FOR NORTH EAST SCOTLAND

DURING VISIT TO IOWA

There are many misconceptions on both sides of the Atlantic regarding our respective agricultural policies. It is very important that we understand each other and deal with the individual matters of concern on an individual and rational basis that are based on facts and not misapprehensions.

When the European Agricultural Policy was established in 1963 it took 94% of the total European budget. At that time Europe was only 60% self-sufficient in its own food supply, in 1982 the proportion of budget used was down to 57% and the Community is almost 100% self-sufficient in the overall balance of food supply.

It is a spectacular example of a successful policy but I would submit that the real expansion of production would have happened in any case, indeed on both sides of the Atlantic. The engineers, plant breeders, animal food technologists, geneticists and veterinarians have all transformed the scene and will continue to do so. We cannot stop the advancement of new techniques and technology.

The basic problems arising for both the American and the European Community administrations at a time of world depression and with increasing agricultural production, is less demand for the food that is produced.

Under the Common Agricultural Policy surplus produce can be sold into intervention and therefore removed from the market.

It can be sold on the world market on which export restitutions or refunds are paid, these refunds are the difference between the world price and the Community's own higher internal price. If you ask why prices are higher in Europe

- we have a limited supply of good agricultural land therefore it is more expensive;

- we have higher input costs, these are involved with a high farming system on smaller farms where we have greater productivity per acre than you, although of course we have less productivity per man;
- we have been encouraging output and increasing our capacity to feed ourselves;
- we have economic objectives in developing the agricultural sector within the economy as a whole;
- we have social objectives of maintaining a rural population, 8 million farmers, and all that goes with that as against 4 million farmers that you have in the US. This is especially important at the present time of recession where we have 12½ million people unemployed in the European Community;
- we have a commitment to the developing world and have many supply agreements with them to take their products. If we look at world development aid, the Community donates 39% of the total as against 25% from the US.

If Europe's farmers are to get their income mainly from the market-place they need, like any other industry, prices to enable them to recover their costs, provide cover for the working capital and new investment. This could not happen at world prices.

The success or failure of the American agricultural industry and that of the European industry are likely to be reached as a result of the success or failure of international trade. World recession is causing the problems we face, increasing output and decreasing consumption. The market is fickle.

The 1955 waiver in GATT allowed the US to continue import quotas and restrictions whilst the rest of us have to play the rules laid down.

We also think that it is totally illogical for you to be sending us increasing quantities of raw materials. These raw materials are transformed into products that eventually compete with American exports on the world markets. They replace our own raw materials which we then have to export out of the Community. They are in fact substitutes for our own produce.

If we look at the American situation the increase in your exports between 1973 and 1981 was spectacular. In dollars the increase was from 19,600 million to 48,000 million and the surplus that you earned in agricultural trade soared to 22,700 million in 1981.

Do not forget that the European Community is the biggest importer of farm products, taking 25% of the world's imports. Whilst you have a surplus on your agricultural trade the European Community has a deficit of 30 billion dollars.

The US sales to Europe total 9 billion whilst the Community's sales to the United States are only 2.2 billion thus showing a 7 billion dollar deficit. We cannot rectify this situation by exports to you because in part of your import limitations.

Now we all realise that within our own countries high interest rates, increased oil prices and reduced markets for the larger tonnages of production have had an effect on the world price and therefore on the American farmers price and profit.

We must try and achieve a convergence of European Community cereal prices and the American support price levels. Serious reform of the Common Agricultural Policy must include bringing Community cereal prices closer to the American price but this cannot be achieved whilst a rogue product like corn gluten feed always available to undercut European cereal prices is taking a bigger share of the market from the European cereal producer.

There must be room for negotiation as the Community price has to come down in our own interests. In the future the world price will not give American farmers a proper return.

The European Community as the largest importer of American agricultural produce is an important market for you. We must all understand each other, and the problems of building Europe. Many member states do not have the sophisticated management techniques and administration necessary to support individual farmers. We therefore depend on the very simple operation of export restitutions which should not be seen as an export subsidy but purely as a refund to the exporters to take the social cost of the agricultural policy out of the product price.

Let us face the fact that America supports its agricultural industry to the same extent as the Europeans do. The total sums involved are very equivalent on both sides of the Atlantic. Whilst it is very difficult for everyone in the present recession, the loss of competitiveness in export markets for the American producers can be blamed as much on the strength of the dollar as on any other factor.

What is really the issue? Is it just export subsidies or is it market share? If it is just subsidies, details on all subsidies on both sides need to be determined. If it is market share, more precise limits for each product need to be agreed.

In all the circumstances both sides need to give each other mutual assurances on the limitation of expensive subsidies and it would be in both our interests thus avoiding a trade war that would be in no-one's interest.