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7 January 1982

THE COMMON AGRICULTURAL POLICY AND ITS INFLUENCE ON UK AGRICULTURE

Any attempt to assess the full influence of the Common Agricultural Policy on British agriculture since joining the Community is likely to be at best contentious and at worst inaccurate.

I shall at least try to make my version the former, and shall concentrate today on three of the main reasons.

- 1 The difficulties involved in comparing today's circumstances with those of the 60s when Britain operated a cheap food policy.
- 2 Technological and structural change has continued to allow farmers to increase productivity and provide an increasing proportion of the nation's food requirement.
- 3 The policy has been far from common in its application in each country.

To elaborate a little:

Firstly, the protagonists of the deficiency payments system overlook the fact that had the deficiency payments of the 60s been reintroduced in 1979/80, they would have cost the taxpayer between £1.7 and £2 billion. In addition, the assertion that without the CAP, consumers would be better off by £3 billion is a gross deception in that it presumes that cheap food imports from the third world countries would still be available on a regular and continuing basis - an assumption which I would question. A return to this system would not only threaten the security of our food supplies, but would also entail a fall in numbers employed in all sectors of the food and agricultural industry.

Secondly, we do not need figures to remind us of the marked upturn in crop and livestock yields during recent years and indeed there are no signs that these trends have come to an end. Throughout Europe the same yield patterns can be observed - depending on the extent to which the legacy of small fragmented farms which history has left us is still in evidence.

Since 1950, European production has risen by over a quarter and by 15% since 1970, yet the number employed on the land has fallen from 15 million in 1960 to 11 million in 1970 and around $7\frac{1}{2}$ million now - rate of exodus of over 4% per year.

In the UK numbers have halved from 1.2 million to 650,000 over the same time scale. Productivity therefore reflects a proud record of achievement unequalled by any other industry and we can now claim to supply some 75% of consumer food requirements in the UK.

So the adjustment has been of quite staggering proportions - due not only to producers' efforts but also to a large extent to the availability of improved chemicals and fertilizers and the work of all those involved in research and development.

The message to draw from this is that the CAP has presided over changes as great if not greater than at any time for a hundred years or more, but as time passes there will be shifts in consumer preferences - possibly more towards protein and fruit production away from traditional carbohydrates and fats. We have also to face the fact that increases in food consumption are slowing down and the income elasticity of demand for food is low. In 1970 about 23% of all spending in the EEC went on food - now it is around 19%. - *Garage.*

There is therefore a pace for adjustment beyond which it is difficult to go and we have to concentrate our minds on directing the policy for agriculture towards matching supply to demand - allowing also for our international commitments.

- dealing with social & economic problems

The well-publicised surpluses of certain products may give the impression that farmers' incomes have been rising so as to stimulate a massive increase in production. In fact from 1973 EEC producer prices remained about constant until 1977 and then fell sharply, particularly in the UK. Increases in the cost of inputs - fuel, feed, fertilizer and machinery - have led to the current cost-price squeeze, since there have been no price increases over and above the rise in costs to attribute to the surpluses problem.

It is also interesting to note that farm prices rose each year between 73 and 79 by some 3% less than all prices and 2½% less than food retail prices, so there is no indication here of agricultural prices pushing up inflation rates.

But the problems of the CAP must be viewed, not only in terms of the restoration of financial balance, but also as part of a strategy to make the entire agricultural sector a dynamic factor in the development of the Community economy.

Reasonable incomes will depend on growth in production and marketing and greater attention will have to be paid to: -

- (a) producing food of a quality required by the domestic and world markets;
- (b) the application of further technology and research;
- (c) the export market;

Changes in economic conditions have amplified the imbalance in the development of rural areas throughout the Community and the particular problems of the less favoured, mountainous and Mediterranean regions all emphasise the need for a rural policy separate from a sound economic policy.

4 times more - poorer unemployed - John Langley

But while it must be right to back success and ensure that the considerable technical potential of agriculture, horticulture and the associated industries is realised, the degree of such national support should be strictly controlled. Other member States have made tremendous efforts - often using carefully directed subsidies - to carve out a large slice

of our market for themselves and have thereby made our recovery either impossible or enormously expensive, as we are witnessing in the glasshouse sector.

In answer to a question I raised in Parliament asking for further information on existing state aids I was told that the compilation of this inventory would be a marathon task: the information to be processed runs to 3000 pages - just in one language (and we use seven in the Community)! There are rules concerning competition - for instance:

- 1 Trade prohibitions on health grounds shall not be used as a restriction on trade.
- 2 National aids, directly or indirectly granted are incompatible if they distort competition and adversely affect trade between Member States.

Yet permissable aids include:

- 1 Those of a social character to consumers which do not discriminate between the 'origin of products' concerned - in effect between producers.
- 2 Disaster fund.
- 3 Regional development fund.
- 4 Those which promote projects of common interest.

It is almost impossible to conceive of any subsidy which cannot be excused under the Treaties' definition of permissable aids, and the most recent package of £510 million in France could be a repeat performance of the previous fiasco unless this nonsense is stopped.

The irritable cynicism shown by many towards the CAP in these circumstances is understandable, and failure to exercise control over national aids has produced a mountain of problems.

This spreads wider than direct grants or subsidies and headlines of farming papers in recent weeks say it all:-

- Chemical giant throws down the Gauntlet
- UK controls are a threat to free trade
- Richard's away day saves him £1000
- Law misinterpreted and lawyers to decide

In other words agrochemical merchants and distributors want their registration body BASIS to clamp down on the import of cheap chemicals by removing their licence to sell.

Once again there is conflict in EEC law. On one hand it seeks free trade, on the other each country has national sovereignty over matters of safety.

Naturally farmers want to purchase their requisites at comparative prices to their European counterparts and cost cutting for all of us is the order of the day - but a pesticide safety precaution scheme is not there for decoration and it must be recognised by both the producers and consumers of pesticides.

The case rests with the Minister but calls for early resolve.

Other areas of concern are the differences in level and method of direct taxation in each country. Only three oblige farmers to present farm accounts (Britain, Netherlands and Denmark). Three obtain accountancy information from a minority of farmers.

The remaining countries pay on assessment. The extent to which this is of benefit is considerable, particularly in countries like West Germany and France where there are many large-scale operators.

A form of aid where harmonisation seems unlikely is in the national effort applied to research and advisory services as a direct state input.

In all countries, companies, cooperatives and marketing agencies operate some kind of field advisory service, but I believe we in the UK have the strongest through ADAS with France possibly the weakest. There are also undoubtedly major differences in the aid given to marketing structures but the truth is that many of the methods of agricultural support found in the various countries of the EEC have a long and not unworthy history.

Credit and trading institutions have become dominant in many other European countries while our own country has had a capitalist, relatively large-scale owner-occupier and landlord-tenant structure essentially since Tudor times.

Where a peasant subsistence level of farming became the norm, the need for & place of cooperative activity has been correspondingly greater and Governments have used farmer cooperatives as a channel for specific subsidy in a much larger way than in our country.

Perhaps nothing has created more misunderstanding in Britain than the provision of subsidised interest loans; seven of the ten countries use interest reduction as an alternative to grant aid.

A discussion with officers of Crédit Agricole would reveal:

- Land purchase - 6% on quote allocation
- Young farmers - 4% subject to cash limits (12 years)
- Establishment of Cooperatives
- Stock farming loans - 6½% - term limits
- Modernisation loans

Disaster loans - rates between 4% and 6%

In one way or another - since Crédit Agricole charges a normal rate of interest for unsubsidised loans - the French operation is strictly legal, allowing a wide interpretation by national governments, and it leaves in question the argument between capital grants and subsidised credit.

France has operated 'Interprofessional bodies' or intervention agencies in the meat, milk, grain and potato markets - with authority to enter the market between producers and consumers at different points - for years: the first dates from 1884.

The central organisation responsible for this operation has become extremely powerful and is now involved with the development and marketing of practically the whole of their production.

I use the illustration of France because the very complexity of French agricultural organisation arouses, often misplaced, suspicion.

The commercial orthodoxy of the Dutch may be just as readily used as a vehicle for aid and some of the aids we offer to agriculture and to industry - investment allowances, stock relief, nationalised investment and debt cancellations - are seen abroad as interferences no less anti-competitive.

It is often we in the UK, because we have separated food production from ancillary raw materials, processing and marketing partners, who have failed to take advantage of perfectly legal possibilities and have neglected genuine needs.

We who pride ourselves on adherence to the spirit of legislation, often find ourselves hampered by its letter.

So the problems of harmonisation in the field of national aids seem intractable. Many of the techniques are founded in a long historical process.

There is no short term solution to resolving these difficulties any more than the differences in fiscal, monetary, energy and transport policies between the various governments.

But we start the year with a better market situation than for years. Whilst surplus and cyclical production will continue to bedevil the EEC, in 1981 there has been a 10% saving on the budget for the CAP. Butter stocks are down to 2 days Beef stocks at about 10 days supply, wheat at about 16 days supply. Wine Production is estimated to be down 17% this year and stands at 96 days supply. The only surplus is olive oil!

But one of the major problems in farming has always been the balance between the arable and livestock sectors. The cost of the cereal regime has been rising. Cereals account for about 11.5% of output but the expenditure this year will exceed £1100 million or 17% of the Guarantee Section of FEOGA compared with 12% in 1976. This leads to proposals to curb the cereal price increases in relation to livestock products and bring them more in line with world market prices.

One of the main problems faced in the cereal sector arises from increasing imports of cereal substitutes such as manioc, fruit waste and maize gluten feed entering duty free. This represents a feed equivalent of about 15 million tonnes, of which about 6 million is manioc and 2.5 million maize gluten.

By comparison, the Community is expected to export over 20 million tonnes of cereals from its 80/81 crop.

Usage in the UK of imported substitutes is well below that of the Netherlands and West Germany and indeed cereals have now been completely displaced from some Dutch feed rations.

This again adversely affects the competitiveness of our own livestock producers, particularly in the intensive sector.

The growing cost of the cereal regime, to which these imports have contributed is a general threat to the CAP and threatens the interests of cereal growers and the suppliers of products used in producing them.

Of the 64% of the total budget spent on agriculture 14% is spent on food aid and trade with the developing countries - a policy which should be considered in its own right.

Put into purely agricultural component, the cost of supporting the CAP is about 5 pence a day per person or £18 a year.

When this is considered against national public expenditure in other sectors it is a small price to pay for stable food supplies. Our social security bill amounted to £340 for every British man woman and child in 1979 or 30% of all UK public expenditure.

But the task facing us in the 80s is not for the faint hearted who continually preach gloom and doom and predict the Common Market unworkable.

How to build trust might be more practical than the construction of mechanisms to prevent cheating.

It is however a pious hope to believe that the rest of society see either the problems of agriculture or of the farming industry in the same way as farmers themselves.

Bringing together 434 members of a European Parliament is perhaps the biggest hope for the future bringing together a new and powerful democratic dimension to Community affairs.

History is offering us the opportunity to rise up and prove that nations can live in peace and adapt our society to new economic realities.

If we fail to face up to this responsibility we will rightly be blamed by future generations.