



*European Communities
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Press Release*

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Here this morning, I am addressing the farming and allied industries not only of Britain, but of many countries. I want to talk to you about European agriculture as a whole.

Common Agricultural Policy

For those in farming, Europe is of direct practical importance. It governs your production, your prices, and your exports. Europe means even more to you as farmers than to others, for agriculture has been from the beginning the cornerstone of the Community.

The Common Agricultural Policy has, on the whole, served Europe well. It has given Europe's 250 million consumers secure supplies of food. It has given farmers stable prices, and it offers a long-term framework in which to plan your industry.

Those are not small achievements. But the achievements and the policy are at risk from two powerful forces. The first is a threat from within European agriculture itself: by that I mean the continuing production of surpluses. The second threat comes from factors outside your control as farmers: I mean the instability of national currencies and the divergence of economic performance in Europe. It is about these things that I want to speak today.

Before doing so, I want to mention one other question. The multilateral trade negotiations, which are now in progress in Geneva between Europe and our trading partners, will cover agriculture. It is right that they should do so, for we want to reach a balanced agreement to expand world trade as a whole. Our partners expect us to make a serious contribution towards more open markets in agriculture. But Europe is not unique in protecting its agricultural imports, as is well known to those acquainted with the position in the United States or Japan, to take only the two other major trading blocs in the world. We have the right to demand, and we shall, that they also make concessions in this field.

Surpluses

I mentioned a minute ago the question of surpluses. They are not always a bad thing. It is better for the consumer to have a small surplus than a small shortage. But that is not the case with European milk production. One-sixth of milk output is already surplus to requirements, while total consumption of milk

products is declining. We shall not be able to persuade Europe's taxpayers and consumers to support that indefinitely. We cannot expect importers and other exporters of milk outside Europe to relieve us of that burden, even though we can dispose of some part outside the Community.

Commissioner Gundelach has spoken of the time-bombs ticking away under the milk policy. For myself, I cannot tell you how long is the fuse that may detonate those bombs, but I do know that, for every month and every season which passes, the fuse becomes shorter.

The Commission has embarked on a policy of prudent prices for surplus products. In the last two years, to the best of our ability, we have made the policy stick. We intend to hold to it in future. But I cannot conceal our fears about milk. In this year's price decisions the Council of Ministers invited us to review the situation in the summer. We shall carry out a fundamental and objective review. But I repeat that we cannot continue with unlimited support for milk at price levels which lead to such heavy costs. We must find a way of checking the surplus through prices and the market mechanisms. Otherwise we shall have to introduce direct limits on production that will be less acceptable to producers than is the present position to consumers.

Money and Growth

I turn to European monetary problems in their agricultural aspect. All farmers in Europe understand monetary compensatory amounts, because they almost all have them. The only exception is Denmark, but Danish farmers too are quite well informed about their effect. They strike at the heart of the common agricultural policy. When national farm prices, in francs, lire or pounds, are affected more by the so-called green changes than by the common prices, then the common policy begins to be re-nationalised. Price differences of 30 or 40 per cent between Europe's Member States divert trade and distort competition. They sap the very structure of the CAP, and undermine the will to find solutions.

There are those who do not lament this state of affairs. There are those who would rejoice if it weakened the CAP. How can it be wrong, they ask, for national governments to take into their hands their own agricultural policies, so as to take more account of purely national interest?

That approach is seductive. But it is a profound mistake. Agricultural problems, like other economic matters in the modern world, cannot be solved at the national level.

Let me put it to you in another way. Those who make their living in agriculture want to be part of the broader economy, to benefit like other citizens from economic liberty and from increases in wealth. They do not want to be a second-class group within society. So it is with nations. They are obliged to trade, and none more so than the nations of Europe, whose wealth depends so largely on their trade. Agriculture cannot be an exception to that rule of interdependence.

In that spirit I approach the central theme of economic and monetary union in Europe. I am convinced that steps in that direction are needed if we are to resume steady and balanced growth. We should not approach it reluctantly, with a fear that our countries will lose sovereignty in exchange for a nebulous benefit. We know that our economies have been so tossed about by the waves of currency disorder that monetary integration is the best way of regaining a little of the sovereignty that we have lost. We Europeans must therefore act together, work out a joint role for our moneys, and expand the use of our European Unit of Account.

In the first place, progress in this field will help to heal our agriculture, sick with monetary disorder. The drifting apart of our currencies has penalised all our farmers. Here in the United Kingdom, you see and resent the MCAs as an unfair subsidy on imports. But in Germany the dismantling of MCAs is seen and resented as an unfair penalty for economic virtue. Greater monetary stability would bring many advantages:

- First we could stabilise the monetary compensatory amounts. That would be a start;
- then we could seriously tackle the problem of reducing the existing stock of MCAs. I do not mean we could abolish them overnight. The price changes involved are large. But we could begin to have a plan. We could begin to halt the re-nationalisation of the agricultural policy;
- That means we could offer farmers a chance to compete again on equal terms. It means we could face the adjustments necessary in modern agriculture. We know that the money problem has distracted us from the need to improve Europe's farm structure. We know that a common market in agriculture should mean specialisation and increased efficiency in Europe. MCAs have served as a kind of bandage, protecting the patient from harm, but not healing the fundamental malady.

That is why I say that progress towards economic and monetary union is in the farming interest. But it is not merely for the sake of farming that it should be pursued. The benefits would be for all our people. It would give us the chance of:

- More strong and stable economic policies, favouring greater investment and expansion in Europe;
- from this stimulus a greater demand for goods, and therefore less unemployment in our countries;
- a European money to play an appropriate part in the world monetary system rather than leaving everything to the dollar which is no longer capable of bearing the full burden.

So I call on you to support our demand for progress. At Bremen later this week the Heads of State and Government of Europe should make a significant advance. We are facing not a national problem, but one that transcends national boundaries. If we can work together in Europe, then we have the chance of a better future for us all. I think the seed is sown. I believe the harvest will be abundant.

Your Royal Highness, My Lords, ladies and gentlemen, with these final words I declare open the Royal Show. I am sure this year's event will bring success to those who have so well organised it, and pleasure to the thousands who will so happily visit it.
