



*European Communities*  
*Commission*  
*Press Release*

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EMBARGOED UNTIL 9.00 HOURS  
TUESDAY, May 13, 1975

May 12, 1975

Extract from a speech by the Rt. Hon. Mr. George Thomson,  
Member of the Commission for Regional Affairs, to the  
Dairy Trade Federation, Stratford-on-Avon.

CAP INSTRUMENT FOR PEACEFUL ECONOMIC CHANGE

British Membership Should Help

I think already the conscientious citizen facing his Referendum choice must be tired to death of the rival protagonists beating each other over the heads with conflicting sets of statistics about food prices. There is a real danger of this kind of argument spreading confusion and cynicism instead of clarity and enlightenment. I will therefore do my best to present the facts about food prices as coolly and objectively as I can.

The rise in food prices has certainly been dramatic. The degree to which the Common Market has been responsible is singularly undramatic. It has made butter, cheese, lamb and tinned fruit rather dearer than they otherwise would have been. It has made cereal grains and the things made out of them - bread, flour, biscuits, breakfast cereals and so on - cheaper. It has also made sugar cheaper, at times much cheaper. On balance, taking all foodstuffs together, the pluses at present just about balance out the minuses. Food would now be neither noticeably cheaper nor noticeably dearer if we left the Common Market.

I know there are many people who just cannot believe it. Did the Government of which I was a member not say in 1970 that membership of the Community would put up the cost of food by 18 to 26%? Did not the Conservative Government estimate before Entry that food prices were liable to go up by 2½% a year for each of five years because of membership? And now look what has happened. We could have been lucky indeed if that was all food prices had gone up by. In five months of 1973 food prices rocketed for world reasons which would have affected us in or out of the Community by far more than the total effect of Community membership over five years.

The influence of the Common Agricultural Policy, or indeed any agricultural policy, on food prices is often overestimated. There are three elements in the price of food: what is paid to the farmer, what is added by the cost of manufacture and transport, and what is added by the shop. Though it varies from food to food, what is paid to the farmer accounts on average for only just over a third of what the housewife pays; the rest is not affected by agricultural policy at all. So the CAP has not affected the cost of transporting foodstuffs to the factories and from the factories to the shops. But you can be sure that the quadrupling of the price of oil has done so. The CAP has not affected the cost of manufacture or the cost of shop-keeping. But you can be sure that pay rises

at the rate of 20% and 30% a year have done so. Yesterday's pay rise inexorably becomes tomorrow's price rise. You can be sure too that the rocketing of world commodity prices, especially cereals and sugar, have put up the cost of food. And so has a 23% decline in sterling in three and a half years.

I do say that the Common Market is on balance making food neither dearer nor cheaper. I said it had made sugar much cheaper, and that is certainly true. Last winter the Community spent £40 million subsidising British imports of expensive world market sugar. At the height of the crisis the subsidy was running at the rate of 20 pence on a 2 lb packet. If it had not been for the Common Market, you would have been paying 50 pence, not 30 pence, for one of those packets of sugar. The Common Market was bringing down the price of sugar, not putting it up. What put the price up was the fact that the price on the world market soared to ten times what we had been paying in the old days.

That was a time of crisis, for sugar last winter. The Community not only paid a subsidy on what had to be got outside Europe, it kept within Europe what sugar there was available. It put a prohibitive tax on sugar exports to non-member countries, so giving British sugar buyers access to such supplies as could be had on the continent. It was a bad crop there as it was here, but nonetheless one third of Britain's needs for this season were covered in this way.

In the old days, people often used to talk about the CAP giving priority to the farmers. Now it has helped consumers by keeping Europe's farm output within the Community and discouraging exports. The French Prime Minister calculated recently that if France had been able to sell her sugar and cereals at world prices outside the EEC, she would have earned an extra £1500 million. But Community rules obliged her to sell to us instead.

The anti-Marketeers still talk as if the CAP was some wicked conspiracy of the wealthy farmers and landowners at the expense of the people. Perhaps a bit of experience of being up to the knees in mud during the current ploughing season might convince them that farmers are workers as well. Certainly as I travel around Europe I am struck by the fact that the peasants of Sicily or South West France are by any standards amongst the poorest members of the working class. I am struck by those in my own Party who seem to imagine that the peasants of Europe drive around in Mercedes, whereas of course they are much poorer and more underprivileged members of the working class than most industrial workers. The CAP has its faults, but too little attention has been paid to it as an instrument of peaceful economic change which is helping to produce in a civilised and humane way the massive shift from agriculture into factories and services which in Britain took place in the 19th century with infinitely more human suffering.

Obviously there is room for further improvement in the working of the CAP. We said in our recent Stocktaking that more action must be taken to prevent surpluses occurring, and that if they do, consumers must get more of the benefit. The CAP will continue to change in line with the needs of food producers and consumers - and Britain, if she stays inside the Community, will help to guide it in the right direction.

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