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CHANGE IN THE COMMON AGRICULTURAL POLICY

Extracts from a speech given by Mr David Williamson, Deputy Director-General for Agriculture in the European Commission, to the Guild of Agricultural Journalists in London on October 23, 1981.

"In the long period since the common market came into being, there have been very great changes. The major product support systems envisaged a strong and stable method for ensuring minimum price levels for producers with the principal objective of the producer obtaining his revenue from the market. Such a degree of security for producers has achieved its objective perfectly.

"Production has increased at a rhythm across the Community of both 6 and then 9 members during the 1970s at an annual rate of 1.5-2 per cent per annum spurred on by technological developments leading to higher yields in most sectors. The common agricultural policy provided the framework in which the scale and efficiency of our production could go ahead so well. Examples elsewhere demonstrate all too sadly that agricultural progress is not automatic but does depend on a reasonable framework in which to develop.

"The UK, now a member of the European Community for nearly 9 years, has also benefitted handsomely from such guarantees. Production of wheat has doubled during the past decade; self sufficiency in the cereals sector has almost reached 100 per cent. A similar picture can be seen in the milk sector where butter and cheese production have also almost doubled over the past decade (1971-1981). Not so much success has come in some other sectors such as pig production.

"But the developments in the United Kingdom can be seen in an even more marked way in the Community as a whole.

"The real conclusion we cannot avoid is that growth in production has become a paradox. Our scientists and farmers are still exploring all possibilities for increasing production through improved management and introduction of new technologies when the internal community market for some major products is now largely saturated with current levels of production. More clearly than ever before we have to accept that extra production can only go to intervention, to aided disposal schemes or export markets.

"There is no escape from this reality by supposing that each member state could become self sufficient for the major products. That is what we call in the Commission the Cherrington fallacy. No. On the contrary, we have to find ways to adapt the policy to the new world around us. That is why in the "Mandate" discussion we have suggested - and will very shortly elaborate in detailed documents on the market organisations, on national aids and on aids to revenues - guidelines which include the following elements.

"<u>First</u>, we suggest that we should aim for some reducing of the gap between our prices and the prices in the major competing countries. The Commission is not saying that we should simply reduce our prices to so-called world prices. We know that for some products the world prices have little or no meaning. Nor is it simply true that for all products our prices are higher than those in other major producing countries. For milk, for example, the most important product

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by value in our agriculture, United States' producer prices are about 15 per cent higher than ours, Canadian producer prices are about 18 per cent higher and in most of our neighbouring countries of Europe the difference is even greater. It is true that New Zealand has a much lower cost structure and price than we have but, if New Zealand were to abandon the consumption of milk and milk products altogether and send its entire production to the Community, it would suffice to supply about 1 in 15 of us. New Zealand is indeed a very efficient producer but in volume terms the Community is the major force in world milk production. There are, however, products - principally cereals in our view - for which we believe that some reducing of the gap between our prices and our competitors' prices can gradually be achieved, thus reducing the costs of our livestock producers.

"Secondly, we suggest that it would now be sensible to set production objectives for the major products and to consider some change in the guarantee if the objectives are exceeded. This is what we call 'Son of Coresponsibility'. In the new circumstances, production above the target is likely to need to be disposed of in export markets or by some form of aid on the home market. We consider that this should be reflected to some degree in producers' decisions and returns.

"Thirdly, we recognise that, if the consequences of the revised operation of the policy are to push down farmers' incomes, then we should be prepared to accept the possibility of some direct aid to producers in specific circumstances.

"Let me therefore stress that we are looking for important changes in the operation of the common agricultural policy reducing the price gap; lower guarantees if production objectives are exceeded; new methods of supporting revenues if this proves necessary; new ideas on exports including outline agreements with purchasing countries. We want to see the policy work better. We need to keep up with the practices of our competitors on export markets. But, having said this, let me make some piercing comments on the twaddle which is so soften spoken in the United Kingdom about the common agricultural policy.

"First, it is claimed that the Community is an inward-looking Community in the agricultural sector. In fact the Community is the world's largest importer of food and agricultural products, its imports representing a massive 25 per cent of the world's total imports of these products. About 50 per cent of these massive imports enter with a zero duty. The Community is virtually the only developed area in the world which does not block out food and agricultural products by quotas or by quantitative restrictions. Almost 50 per cent of our agricultural imports come from developing countries and our exports of food and agricultural goods to developing countries, where they are most needed, have also risen fast.

"Secondly, it is claimed that the support price increases made under the common agricultural policy push up food prices. Of course they do - but in recent years by less than the general rate of inflation. Food prices are not fuelling inflation, despite the large element of transport and distributive costs and wages included in them.

"Thirdly, it is claimed that the budget cost is out of control. In fact, our expenditure did rise first some years ago but in the last three years agricultural expenditure is rising more slowly than the growth of our income or our 'own resources'. In 1981 agricultural expenditure as a percentage of total Community expenditure will fall to its lowest level for many years. Net actual expenditure in 1981 on the most expensive sector, milk, will probably now be over 1,000 million dollars lower than in 1980. By rectifying the budget downwards, the Commission has handed back to the taxpayers substantial unspent sums.

"We are making major efforts to introduce the changes which we believe to be necessary, but of course the decisions are for the member states in the Council. May I say finally that we are much encouraged by the way in which the UK Presidency has progressed the business in Brussels and shown the good old English virtues of good time-keeping and a practical approach. It has helped and should continue to help us to make progress on the major issues under discussion."

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