

## Letter from James Prior to Henry Plumb (8 July 1971)

**Caption:** On 8 July 1971, James Prior, British Agriculture Minister, sends a letter to Henry Plumb, President of the British National Farmers' Union in which he highlights the efforts made by the British Government to obtain an agreement on accession to the European common market which satisfies the agricultural sector.

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## Letter from the Minister of Agriculture the Rt Hon James Prior to NFU President Mr Henry Plumb on 8 July 1971

With your letter of 18 June, you sent me a copy of the resolution adopted by your Council about the Common Market negotiations. The Government has today published a White Paper which deals with the points arising out of the resolution and your letter, but it may be useful if I comment in more detail on some of them. You are free of course to draw upon this letter accordingly for the information of your Council and members.

2. Let me say at once that I fully understand the wish of your members to know in as much detail as possible about their future prospects if we join the EEC. We shall certainly do all we can to see that they are fully informed. But there are two points which should be made.

The first is that, although we have broken the back of the negotiations, there is still a good deal of detailed, but important work to be done. This applies particularly to the system of transition for agriculture where, although the broad outlines have been agreed, we still have to settle its detailed application to the individual commodities. On this, we shall want in the months ahead to maintain the same close consultation with the Union as we have had throughout the negotiations so far. This was mentioned specially in the Council resolution and I readily give you that assurance.

The second point to make is that the negotiations themselves are concerned with the application of EEC arrangements to our situation. We have to satisfy ourselves that this can be done smoothly and acceptably. But when this has been done it is obvious that it will be for the Government of the day to decide on what agricultural policies it thinks it best to pursue. This would be true in or out of the EEC and also both for matters within national jurisdiction and those within the framework of the CAP.

I should make it clear therefore that what we are dealing with in the White Paper and what I am seeking to amplify in this letter is the position as we have established it with the Community and what we would remain free to do as members of an enlarged Community.

3. It is in this context that I will refer to some of the more specific points which are raised in your letter or in the accompanying Council resolution.

First the transitional arrangements themselves. Let me stress that the beginning of the transitional period will not face farmers with dramatic changes. We shall of course be adopting the Community's support systems from the start, but with the introduction of the interim levies schemes this summer we shall already have had considerable experience of at least that part of the CAP. More than that, we are not being expected to abolish our system of guaranteed prices and deficiency payments on entry, so producers will have time to accustom themselves to the new regimes before we give up the existing ones. No terminal date has been set in the negotiations to the ending of deficiency payments. This arrangement will ease the transition very considerably; but there will doubtless be teething troubles, hence the importance of the general understanding we have with the Community on corrective action. This does not give us the power of unilateral action but I do consider that it will provide a valuable safeguard.

In our discussions with the Community, they drew our attention to the fact that each of the regulations for establishing the common organisation of the market contains a provision giving the Commission extensive powers to take rapid and effective action to deal with transitional difficulties at the day to day level of the Management Committees. In addition there is the Community's general power to amend or modify regulations under usual Community procedures. You can rest assured that, if there are signs of serious market disruption, we shall exert ourselves to ensure that remedial action is taken rapidly.

In this connection, I am aware of your particular anxiety over eggs and poultry meat in the transitional period. We have already drawn the Community's attention to the need for stability here and received acknowledgement of our point. It is something we shall have to discuss with the Community later this year and if you have any proposals for operating the transitional arrangements in this sector, my officials will be

very ready to consider them sympathetically.

4. These safeguards will apply to all CAP products but we have, as you know, had the problems of the horticultural industry particularly in mind. The special arrangements for horticulture are set out in the White Paper.

In the particular case of apples and pears it is the Government's intention to ensure that the levy arrangements which are to replace the existing quota at the beginning of the transitional period provide a meaningful level of protection. Additionally, the EEC regime will provide for protection against third country supplies by a common external tariff at a generally higher level than our own tariff and, for certain particularly sensitive products (including apples, pears, tomatoes, plums and cherries), there is a system of reference prices which entail the automatic application of countervailing duties on supplies offered at less than the reference price. We still have to discuss how the application of this system to our market can be most effectively done during the transitional period.

For products not subject to a market organisation we are seeking to negotiate provision to retain the use of our own anti-dumping powers against third countries during the transitional period. This will be of particular importance since as members of the enlarged Community we shall have to align our restrictions on eastern area trade with Community practice; but we have not yet completed our discussions with the Community and we will be consulting you further on this matter. In addition it has been agreed that there should be provisions similar to those in Article 91 of the Treaty which enabled a Member State during the transitional period to request authority to take protective measures against dumping by another Member State.

5. I believe the arrangements we have made for horticulture will provide satisfactory conditions for efficient growers to make the necessary adjustments. But where special help for horticulture can be justified - whether to facilitate production adjustments to assist those who are potentially viable or to compensate those who have to leave the industry - the Government is prepared to consider it. This is something which we are ready to discuss with you at an appropriate stage.

6. I turn now to the question of the Marketing Boards. I am glad to know that the basic approach that we adopted in the negotiations has commended itself to you, given the complex legal background and the present state of development of the Six's policy in this matter. Nonetheless, I certainly consider that in general our marketing boards perform a most valuable function and could continue to do so in an enlarged Community.

Subject to the continuance of the Government's existing right under the Agricultural Marketing Act to review the position and powers of any statutory marketing board should it consider that circumstances warrant this which of course applies whether we are members of the EEC or not, I can assure you that the Government would defend the maintenance of those disciplinary and other powers on which in its view the essential functions of the Marketing Boards depend.

I would also agree with you that we should take every opportunity to ensure that the Six fully understand the value and functions of our boards.

7. We have, as you know, sought and secured from the Community recognition of the special problem of our hill farming areas. As a result, I am satisfied that entry in the EEC will not prevent us from giving the continuing assistance needed to maintain the incomes of farmers in the hill areas in accordance with current Government policy. Whether we enter the Community or not, the methods of providing assistance will continue to need review from time to time in the light of developments including trends in the market prices for produce in the hills. But there can now be no doubt of our ability as member of an enlarged Community to deal with the special conditions which farmers in these areas have to face.

8. We have not discussed the other production grants with the Community, and here again I think you have agreed with our approach. I can assure you, however, that there is nothing to prevent national Governments giving production grants, and as you know yourself all the existing Community members have schemes of

one kind or another. Certainly, the Community have had in mind for some time the possibility of agreed criteria to govern the form of national aids and to avoid those which might distort competition; but so far they have not agreed upon such criteria. There is no likelihood therefore, of being called upon to eliminate our production grants upon entry. The grants will as usual have to be looked at in the context of the Annual Review where as you know, all the relevant considerations will be taken into account.

9. You specifically mention wool, which, as you say, is regarded as an industrial rather than an agricultural product within the Community. Common agricultural policy rules do not therefore apply. We have no indication that the Community see objection to our present arrangements. I am fully seized of the importance of the present wool guarantee arrangements to sheep farmers, particularly in the hills, and it will certainly be my aim to maintain stability in this sector. Apart from wool, there are of course a number of products of importance to our farmers which, although they fall within the scope of Annex II of the Rome Treaty, are not as yet subject to a market regulation. So long as this situation obtains, we are free to pursue our national policies subject only to the general provisions of the Rome Treaty.

10. One other commodity which perhaps merits special mention is sugar. You will find in the White Paper confirmation of our agreement to maintain restriction on beet production up to the end of 1974 ie the period covered by our existing CSA commitments. The precise details of the restriction are still under discussion. But it has been firmly agreed that, our readiness to maintain these restrictions up to the end of 1974 is entirely without prejudice to our position thereafter when, as you know, the Community's existing quota arrangements are due to come to an end. It would be premature at this stage to be precise about future production levels in this country but we believe that there will be room in an enlarged Community not only for imports of sugar from the developing Commonwealth at present levels but also for an expansion of our sugar beet production.

11. As explained in the White Paper, we have not yet completed our negotiations on the existing Community directives which deal with animal health. This is an important matter not only for us but for some of the other applicant countries as well, and so we have suggested the setting up of a multilateral expert group to go into the issues between us, and especially the differences in circumstances and policies for dealing with foot-and-mouth disease. The Community has no general directive on plant health import controls and we are satisfied as you know, that the existing directives affecting plant health measures can be accepted without detriment to our position.

12. Finally, let me say something about the annual review. As you know, our agreement with the Community provides for a review at Community level which will provide the Council of Ministers with the material on which to make soundly based decisions about the Community's agricultural policy and for effective and meaningful contacts with producers. Under this procedure the Commission will make a review, on the basis of relevant statistics and account figures from national and Community sources, will analyse the economic situation of agriculture both at national and Community level, taking into account *inter alia* the state and trends of Commodity markets, information about trends in prices and costs, employment, productivity and farmers' incomes. Before, during and after the drawing up of the Commission's proposals on prices and related matters there will be full contacts, including discussion of the statistical and other data, at Community level with producers' organisations so that in the drawing up of the review full account can be taken of their views. I believe these arrangements will provide adequate means of ensuring that producers' interests are given due weight.

As regards our own national review we shall of course be completely free to make our own arrangements and can thus ensure that we are fully aware of the views of UK producers and can ensure that their interests are taken properly into account when the Commission's proposals are subsequently discussed in the Council of Ministers of which we shall be a full and active member. Naturally there will have to be some changes in our review and I should like to discuss with you nearer the time what arrangements might be appropriate.

13. I hope this letter will enable you to allay any anxiety on the specific points you raised. It is my belief that the arrangements which we have made provide the industry with a firm basis on which to plan ahead. As we fill in the details, in consultation with you, the position will become even clearer. But it is already apparent

that, taking the industry as a whole, the prospects are good. I do not refer only to the generally higher prices in the EEC but to our market prospects within an enlarged Community. The introduction of Community preference works not only to give other Community producers access to our market, but to give us access to theirs. We already have exports of food and feedingstuffs to the rest of the enlarged Community worth some £100 million. The attractiveness of this market will increase as the levies charged by the present Community are progressively reduced and we enjoy preference over third country suppliers. Any expansion of the market for our farm products whether processed or not is bound to be of considerable benefit to the industry.

14. In the White Paper we give our estimate that output should expand by some 8 per cent as a result of the full adoption of the common agricultural policy. This of course would be over and above the growth that would otherwise be expected over the period of transition. In recent years output has increased at the rate of some 2 per cent annum and if this rate were to obtain in the coming years the added growth attributable to our joining the EEC would mean once again expansion as rapid as was experienced in the early 1960s, although at a much higher level of self sufficiency. There cannot be any guarantee that such rapid progress will be achieved but in my view there are sound reasons for optimism about the prospects.