

Booklet by the British National Farmers' Union (July 1971)

Caption: In July 1971, the British National Farmers' Union analyses the advantages and disadvantages for rural Britain of joining the European Economic Community (EEC).

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<it>UK Food Trade</it>

7. Farmers and growers as citizens have participated and will continue to participate in the debate on whether this country should join the Community. It has not, however, been the Union's function to take a line on the general issue: the Union's responsibility to the membership has been to try to ensure that if the UK does enter the EEC the conditions will be such as to provide reasonable prospects for farmers and growers.

8. If the economic conditions are satisfactory there is plenty of room for an expansion of domestic production. Although the volume of net output has more than doubled over the past 30 years, we are still a long way from self-sufficiency; we supply only some 55 per cent of our total food needs. For the kinds of food we can grow, the ratio is about two-thirds home production and one-third imports. The existing EEC produces from its own resources a much higher proportion of its total food requirements about 90 per cent. The inclusion of four new countries, two of which (UK and Norway) are net importers and two (Denmark and Irish Republic) net exporters, would reduce the overall proportion in an enlarged Community to nearer 80 per cent.

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12. Leaving sugar on one side, we import a further 12 per cent, mostly tropical products, from Commonwealth developing countries, many of whom will be able to choose between various forms of association with the enlarged Community. This leaves at least 45 per cent of our imports from countries for which no special arrangements have been made (except for a general undertaking to avoid disruption of their trade during the transitional period).

13. The establishment of a wider Common Market must inevitably bring about a change in this country's trading patterns. Through the adoption of the common agricultural policy and, in particular, the application of Community preference, imports from Commonwealth and other non-member countries will tend to be reduced in favour of greater supplies from UK farmers and from other farmers inside the Ten. France, the Netherlands, Denmark, the Irish Republic and possibly other Community countries will evidently be competing with

h our producers to replace many of the imports now obtained from third-country suppliers. In addition, for some commodities, Community exporters will be free to compete more strongly for our existing market. Certain horticultural products are clearly highly vulnerable in this regard.

The Union has strongly pressed upon the Government the need to put British agriculture *now* in a strong position to meet these prospective challenges and to ensure that the arrangements for the transitional period are adequate.

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<ch>Specific considerations</ch>

19. In our periodic progress reports we have identified the matters to which the NFU attached fundamental importance in the negotiations and have explained the nature of the provisional agreements or understandings arrived at by Mr Rippon in the negotiations with the Ministers of the Six.

20. By going perhaps further than Mr Harold Wilson on the need 'to come to terms with the common agricultural policy' and actually indicating that the United Kingdom would be prepared to accept the CAP to the extent that it had developed so far, the Government were clearly reducing the area for negotiation in agriculture. Rightly or wrongly, the view was taken that, unless Britain could reassure the Six of her willingness to accept the main principles and structure of the CAP, this country would have no chance of bringing the enlargement negotiations to a satisfactory conclusion. On the other hand, this Government did take over the specific matters which Mr George Brown, in his Western European Union speech in July 1967, had indicated as the agricultural agenda for the negotiations.

21. Perhaps it is as well at this point to indicate the matters on which the British delegation were not seeking to negotiate. First, by accepting the principles of the CAP, the Government made it clear that they had no intention of questioning the concepts of Community preference, common pricing, common trade policy with non-member countries and Community financing. Secondly, the Government had no intention of seeking to negotiate on prices of agricultural comm

odities in an enlarged Community: Britain could only seek to influence price levels later on from inside. Thirdly, except for those commodities specifically designated (milk, pigmeat, eggs) the Government were prepared to accept the structure of the regimes already adopted for the common organisation of the market.

This meant that basically the Government were prepared to accept the EEC regimes for cereals, sugar beet, beef and veal, table poultry, and fruit and vegetables. In addition, they decided that they would not raise directly the question of the future status of our marketing boards, although as noted later (para 30), they did raise questions relating to the functions at present carried out by the milk marketing boards.

Finally, questions relating to commodities such as mutton and lamb which were not covered at present by a common market organisation, were not raised on the grounds that the United Kingdom would be able to play a full part as a member in discussing any proposals for these commodities from within the Community.

22. Notwithstanding all this, the negotiations have covered matters of special significance for our domestic agricultural and horticultural industry, especially the arrangements for the transitional period. They have also been concerned with New Zealand dairy products, Commonwealth sugar and, above all, Community financing.

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<it>Milk</it>

27. The Union's primary concern has been to ensure that in joining the Community we would not be obliged to accept arrangements which might lead to a reduction in the net incomes of milk producers. The Government's main concern has been to ensure that adequate supplies of liquid milk would be available to meet consumer demand throughout the country and throughout the year. These objectives have been linked in that the achievement of both depend to a considerable extent on the continued operation of functions now carried out by the milk marketing boards.

28. In the negotiations, the Government have drawn particular attention

ntion to the fact that the liquid market accounts for a major part of all milk produced in this country. In this situation there could be no certainty that arrangements worked out for a Community in which the greater part of milk supplies are used for the manufacture of dairy products would operate satisfactorily. This situation therefore needed to be clarified.

29. The Six have agreed that it was one of the objectives of the common policy to use as much milk as possible for liquid consumption throughout the Community and that the arrangements for milk should not impede this aim. It has also been agreed that the Council resolution of July 1966 fixing a maximum price differential between milk sold for processing and milk for liquid consumption has no legally binding effect; member states are free to fix retail prices for milk for liquid consumption but are not obliged to do so. Finally, it has been acknowledged that a non-governmental producer organisation, provided it acts within the provisions of the Rome Treaty and of secondary legislation derived from it, is free by its own decisions to consign milk wherever it chooses and to remunerate its members as it wishes.

Our boards would thus be able to continue to pay higher prices for winter than for summer milk, so offsetting seasonal differences in production costs.

30. The White Paper makes it clear that, in the Government's view, the maintenance of the milk marketing boards with broadly their existing powers will be consistent with the agreement reached with the Six. What is equally significant, the Minister in his letter makes it clear that in the event of any challenge the Government would defend the maintenance of the disciplinary and other powers on which, in his view, the essential functions of the marketing boards depend. He has also agreed that every opportunity should be taken to ensure that the Six fully understand the value and functions of our boards. These assurances, it should be observed, are not limited to the milk marketing boards but extend to all the existing boards, subject only to the Government's rights, whether we go into the Common Market or not, under the Agricultural Marketing Act to review the position and powers of any statutory board.

<it>Pigmeat</it>

31. The Union has repeatedly stressed that the arrangements for pigmeat in a Community which would probably be more than self-sufficient should provide for a greater degree of stability than that aff

ordered by the existing EEC regulations. The UK and the Six have in fact recognised the intrinsic importance of the bacon market in an enlarged EEC and have agreed on the desirability of stability under conditions of fair competition in an enlarged Community. It has been acknowledged that this matter is of special importance not only to the UK and other bacon producers directly affected but to all pig producers in the enlarged Community and that the situation will, therefore, have to be kept under careful review in the transitional period and thereafter.

32. The present International Bacon Market Sharing Understanding is due to expire at the end of March 1972. Its future will clearly be one of the matters for detailed discussion in the months ahead. The Union has suggested that a permanent arrangement analogous to the Understanding should be evolved on a Community basis for the member countries concerned. So far as the transitional arrangements for entry into the Community are concerned, it seems that there might be difficulties not only for ourselves but also for Denmark and the Irish Republic in applying the general principles now envisaged. These are amongst the problems which still have to be tackled.

<it>Eggs and Table Poultry</it>

33. The Union has emphasised that, as an enlarged Community would generally be more than self-sufficient in <ita>eggs</ita> and as there are no provisions for support buying, prices would normally be determined solely by internal market forces and would be likely to fluctuate widely. This situation has been recognised by the EEC Ministers in their discussions with Mr Rippon on eggs and they have also accepted that price fluctuations might be rather greater than in the individual markets today. It has been suggested that the trend towards the concentration of production in the hands of specialist producers and parallel developments in marketing should reduce instability in the longer term but the need for market stability has been acknowledged by the Six.

34. Lately the Union has become increasingly concerned about the strong possibility of market disruption in the whole of the <ita>poultry industry</ita> if the principle of Community preference is applied in full at the outset of the transitional period without regard to the marketing conditions prevailing in the Six and in the applicant countries. An assurance has therefore been sought from the Government that they will do everything they can to prevent any disruption, not only of the egg sector but of the poultry industry as a whole during the transitional period. In his letter to the President the Minister recognises the industry's concern, states that he has already drawn the Community's attention to the need for stability, and i

ndicates the Government's willingness to discuss the matter with the Community later this year and to listen sympathetically to any proposals which the Unions may put forward for dealing with the situation.

<it>Transitional arrangements agricultural</it>

35. The Union's aim has been to secure an adequate transitional period for the principal agricultural commodities. Originally the Government suggested a period of six years for agriculture and three years for industry. The Six insisted, however, on a certain parallelism between the arrangements for agriculture and industry.

In the event, agreement was reached upon a five-year period for agriculture starting in 1973. The mechanism of the CAP would be adopted and full Community preference for agricultural products covered by Common Market regimes would be introduced at the beginning of the transitional period. The transition to Community prices would be achieved by six steps spread over five years. During the transitional period the enlarged Community would take steps to deal with any serious disruption to world trade arising from the curtailment of UK trade with third countries. Finally, the Community would take rapid and effective action to deal with any difficulties which might arise in the operation of the transitional mechanisms.

36. Early in the negotiations the Six were reported to be suggesting that Britain should abandon her guaranteed prices and deficiency payments at the beginning of the transitional period. This suggestion was naturally strongly resisted by the Union and it is satisfactory to record that in the event no terminal date has been set. It is true that for commodities covered by common market organisations deficiency payments will have to be terminated by the end of the transitional period for agriculture (i.e. technically by the end of 1977). For products for which there is no organisation the Government have established that the UK would be free if it so wished to maintain guaranteed prices indefinitely. This does not of course mean that the British Government <ita>will</ita> do so: it does, however, mean that its decision on this matter lies essentially within its own jurisdiction.

37. The fact that Britain is not expected to abolish its system of guaranteed prices and deficiency payments on entry means that producers will have time to accustom themselves to the new arrangements before the existing ones are given up. In the Government's view this should ease the transition problem considerably.

38. Nevertheless, it is generally recognised that conditions in the transitional period are to some extent unpredictable and in view of this the Union attaches considerable importance to the agreement with the Community on corrective action, i.e. the use, where necessary, of safeguard measures to protect our markets.

A clear assurance was therefore sought from the Government that corrective action could be taken promptly and effectively. In particular the Government was asked to confirm that they would act initially on their own initiative in the same way as the national governments of the Six were empowered to act during their transitional period. The Union underlined that this was of the utmost importance as far as perishable products were concerned, where producers could suffer severe damage if safeguarding measures had to be delayed pending consideration by the Community institutions.

The Minister's letter indicates that while the Government would not be free to act on its own initiative the Rome Treaty itself contains measures whereby safeguard measures can be applied. Rapid and effective action can be taken at the day-to-day level of the Commission's Management Committees. The letter goes on to promise that <ita> & if there are signs of serious market disruption we (the Government) shall exert ourselves to ensure that remedial action is rapidly taken</ita> . Incidentally, other member countries may, for reasons of enlightened self-interest, wish to ensure that the mechanism for corrective action works expeditiously as their markets could also be damaged through the operation of the particular method chosen to give effect to the principle of Community preference.

39. The limitation to the Government's freedom of action makes it all the more important that in the period between now and accession the Union should see that the arrangements for giving effect to the principle of Community preference should be such as to minimise the danger of market disruption. Reference has already been made to the significance of this in the poultry industry but equally problems could arise elsewhere in agriculture and especially in horticulture.

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<it>Sugar Beet</it>

49. During the negotiations the British delegation sought special arrangements on behalf of sugar producers in Commonwealth developing countries. The Union has naturally been interested in the outcome of these talks. Our opportunities to extend the acreage in this country have been limited for many years by virtue of the UK's commitments under international agreements, notably the Commonwealth Sugar Agreement, and such increase in domestic production as has taken place has been mainly due to the rising yields obtained by improvements in efficiency. Unlike most European countries the UK produces only about 30 per cent of its total requirements and the Union has argued consistently that this proportion should be increased.

50. So far as the Commonwealth Sugar Agreement is concerned, the situation remains as it is now until the end of 1974. 'Bankable assurances' were sought by the UK beyond 1974 for the developing countries, especially in view of the seven-year production cycle for cane sugar. The Community have agreed that *it would be a firm purpose of the enlarged Community to safeguard the interests of the countries in question whose economies depended to a considerable degree on the export of primary products, in particular sugar*.

Subsequently most of the Commonwealth countries recorded their agreement with the outcome of these negotiations. It should be observed that there is no guarantee about the Australian quota (335,000 tons) after 1974. Australian sugar is presumably covered only by the general provisions agreed between the UK and the Six over the need to avoid any disruption to trade of third countries.

51. In the House of Commons Mr Rippon has said that there would be room in the enlarged Community both for the present quantities of sugar from these countries at remunerative prices and for the development of sugar beet production. More specifically, he also observed that there would be 'room for expansion' of our sugar beet production. Mr Prior, in his letter to the President, has also said that there will be room in an enlarged Community for an expansion of our sugar beet production.

52. Whether or not home growers will be able to take advantage of this situation depends upon whether plans are now being made to provide the initial factory capacity. It takes some three years to build a factory and if we are to be able to expand after 1974 there should be no delay in proceeding.

<it>Production Grants</it>

53. The Union has submitted to the Government that, in addition to the grants for hill farmers, many of our other grants are essential to the well-being of the agricultural industry. The Union claimed that these grants are generally compatible with the CAP and asked the Government to confirm that they shared this view.

In his reply the Minister states that there is nothing to prevent national governments from giving production grants and all the existing members have schemes of one kind or another. So far they have not agreed on the criteria to govern national aids and there is no likelihood therefore of being called upon to eliminate our production grants on entry. The grants will as usual continue to be looked at in the context of the Annual Review where all relevant considerations will be taken into account.

54. In sum, it appears that for some time ahead at least the Government believe that their ability to continue with our existing grants is a matter that lies essentially within their own jurisdiction.

<it>Commodities not covered by existing Common Market regimes</it>

55. In the course of the consultations with the Government the Union has raised questions on a number of commodities not covered by common market organisations, namely, mutton and lamb, potatoes both main crop and earlies hops, vegetables for processing. The Government's general reply has been that in the absence of a marketing regime, they retain the power to decide policy. As regards potatoes and hops the Union has drawn attention to the need to ensure that the existing marketing boards could continue to operate effectively.

56. Particular attention has been directed towards the question of tariffs and in some instances quotas for these products and the Union's pressure to ensure that no market disruption follows from any phasing out of tariffs or quotas will be strongly maintained.

It is very difficult in particular to see how it would be possible for the potato marketing board to continue to operate acreage control and support buying programmes in surplus seasons if imports were not subject to regulation according to the need to balance requirements against home supplies. Trade in potatoes between the Six themselves is from time to time subject to controls and the Union has strongly contended that if our consumers are to continue to be assured of their potato needs at reasonable prices, the existing arrangements must be allowed to remain.

<it>Sheep</it>

57. During the negotiations the Union advised the Government that as the production of mutton and lamb was of far greater importance in the United Kingdom than in any of the present Member States, it was imperative that the United Kingdom should be consulted about the form of any common market organisation. A regulation for mutton and lamb must include fully adequate support arrangements and provide also for special income support for sheep producers in hill and upland areas. We asked that existing support arrangements should be maintained in the United Kingdom until such time as a common market organisation came into effect and insisted that the common external tariff or whatever other import regulations might be devised would be applied equally to <ita>all</ita> non-member countries.

58. In the light of the negotiations the position is as follows:-

(1) At present, there is no common organisation of the market in the Community and each country sets its own conditions for entry from third countries.

(2) There is, however, the common external tariff of 20 per cent. The UK has agreed to adjust to this tariff (from the new fixed levies to be introduced progressively from July 1971) over the transitional period. All imports from non-member countries, including New Zealand, will be subject to the common tariff.

(3) So long as there is no regulation, the UK remains free to continue its existing support arrangements, i.e. guaranteed prices and deficiency payments.

59. In the White Paper, the view is expressed that the United Kingdom in the enlarged Community will remain a substantial importer of New Zealand lamb even over the 20 per cent tariff, and the Government is confident that <ita> & there will continue to be adequate and remunerative access for lamb from traditional sources of supply</ita> . The Union will clearly continue to press very strongly for greater encouragement to be given to home producers to ensure that they are able to respond fully to the opportunities that should exist for the development of lamb consumption in the wider Community.

<it>Animal and Plant Health</it>

60. Though there are a certain number of directives affecting animal and plant health in the EEC, the progress made towards harmonisation is difficult to assess. The Union's main concern is to see that our producers should not be required to accept any changes that would endanger the health of our livestock and crops and that stringent controls are retained.

61. The White Paper observes that there are differences between the animal disease situation here and in the Community and in the methods of control employed. The EEC apply vaccination and slaughter policies against foot-and-mouth disease and require that cattle passing between member states must have been vaccinated, whereas the UK relies on a slaughter policy alone. According to the White Paper <ita>our aim is to ensure that the progressive improvement of animal health standards will continue in an enlarged Community</ita> .

62. The Minister in his letter explains that as negotiations with the Community on animal health have not been completed and that as this is an important matter not only for us but for some of the other applicant countries, Britain has suggested the setting up of a multi-lateral expert group to go into the issues, and especially the differences in circumstances and policies for dealing with foot-and-mouth disease. The Union will certainly continue to be consulted on developments and the Animal Health Working Party of the President's International Advisory Committee has the whole of this problem under constant and immediate review. We have made it clear to the Government in the negotiations that we could not tolerate the import of stock vaccinated against foot-and-mouth disease.

63. So far as plant health is concerned, there is no general Commu

nity directive on import controls and the Minister is satisfied that the existing directives affecting plant health measures can be accepted without detriment to our position. The PIAC has a sub-Committee on Plant Health which will be keeping a very close watch on the existing directives and any that might be contemplated, to ensure that the interests of our plant producers are fully safeguarded.

64. It should perhaps be noted that under Article 36 of the Rome Treaty, import or export prohibitions may be maintained on the grounds of protection of health and life of humans, animals or plants but such prohibitions or restrictions shall not amount to a means of arbitrary discrimination nor to a disguised restriction on trade between Member States.

<ch>General Appraisal</ch>

65. From the foregoing it will be clear that, on many of the agricultural issues raised, the outcome represents progress towards the policy objectives for which the Union has been pressing.

66. An assurance has been given that an *annual review* of the economic condition and prospects of agriculture in an enlarged Community will be established at Community level and that the producers' organisations will be consulted before proposals are made on prices and related matters. Although the Union's request that consultations with farmers should be given legal force through a Community regulation has not been met, the assurance appears to represent a real step forward from Community procedures heretofore. If the Government wish, they will, of course, be able to continue with our own national Annual Review and in this case the Union will be in a position to make representations to the Government before Ministers participate in the final decision-taking process in the Community's Council of Ministers.

67. On the question of *marketing boards* in general, it has been established that they perform a valuable function and could continue to do so in an enlarged Community. We also have the Minister's categorical assurance that, if challenged, the Government would defend the maintenance of the disciplinary and other powers on which the essential functions of the marketing boards depend. This is an extremely pertinent undertaking. For milk in particular, it has been established that the principal functions carried out by the milk marketing boards are compatible with the CAP.

68. The *production grants* have proved their value under our support system and the Union has pressed the Government to ensure that they could be continued. This matter has not been cleared formally with the Six but the Government's view is that there is no likelihood of this country being called upon to eliminate our production grants on entry. We are, however, reminded that whether inside or outside the Community, it would always be open to the Government to review the future and amount of any grant.

69. The position with respect to *hill farmers* has been more clearly elaborated in the negotiations and the Government are now satisfied that the United Kingdom will not be prevented from giving the continuing assistance needed to maintain the incomes of farmers in the hill areas. This is a point of crucial importance emphasised by the Union throughout the negotiations.

70. For agricultural products, there is to be a *transitional period* of five years. Largely as a result of pressure from the Union, the Government insisted, in opposition to the Community's original proposal, that guaranteed prices could be maintained during this period. The particular value of this is that it will give producers of most of the major agricultural commodities time in which to adjust their operations to the Community's price structure. The Government will of course be required to bring our market prices into line with Community prices by the end of the period. As a result, the gap between our guaranteed prices and market prices will be narrowed as we move through the transitional period and it may be that market prices will rise above the guaranteed level before the end of 1977.

71. This should be satisfactory as far as producers are concerned so long as the Government recognise that the level of the guarantees will have to be raised during the transitional period in line with increasing costs and other factors notably the need to provide the additional resources which will be required for expansion. There can be no Community objection to this so long as it does not jeopardise the attainment of common prices in 1977.

72. For three of our existing guaranteed price commodities (*sheep, potatoes, wool*) there are at present no regulations in the Community relating to the common organisation of the market. The Union welcomes the assurance that the Government will remain free to continue the system of guaranteed prices and deficiency payments until such time as a Community regime is introduced.

73. The Union has already make known its views about the terms for *horticulture*. While recognising that there are provisions which could be of some help to growers, they have informed the Government that the basic needs of the industry have not been met. In particular the Union deplores the lack of any constructive solution to the problems which will arise for our growers from the structural surpluses of apples and pears in the Six. More generally, it is perhaps inevitable that, since the enlarged Community would include countries with more favourable climatic and growing conditions than our own, United Kingdom growers of a range of horticultural products would be under considerable pressure and that they would either have to adjust their production or leave the industry. Recognising the deep social and human problems involved, the Union has fought a strong battle for the adjustment process to be fair and reasonable. The Government have accepted that there should be help for adjustment or to compensate growers who have no option but to quit.

74. Amongst further problems which have not yet been resolved are the transitional arrangements for *poultrymeat* and *eggs*. The Union is deeply worried that the arrangements for giving effect to the principle of Community preference could seriously disrupt markets at the outset of our entry into the Common Market. This is one of the matters that must clearly be pursued further with the Government before we can be reasonably satisfied that such a situation will not be allowed to develop. The Government recognise our anxiety on this score and will be going into the matter with us and the Community later this year.

Producer Returns

75. This brief résumé still leaves unanswered the question as to whether on balance the terms can be recommended for acceptance. In the final analysis, judgement is bound to take account not only of the issues taken up in the negotiations but also of other broader factors. Moreover, the views of farmers and growers will undoubtedly be influenced by an assessment of the returns which they would expect to receive for their commodities in the conditions of an enlarged Community as compared with staying outside.

76. On the basis of present price comparisons it is clear that most producers of cereals, sugar beet and beef would be likely to benefit; provided liquid milk prices could be retained at their present level, milk producers could also be better off; the situation for produc

ers of sheep and lambs, wool and potatoes would depend to a very large degree on the maintenance of the guarantee arrangements and the level at which prices were determined.

For pigmeat, eggs and poultry the outlook is uncertain. Taking one year with another, it might be that producers would be able to recoup through higher prices the effect of the substantial increase in feed costs but unstable market conditions must be expected. The EEC arrangements for pigmeat in particular offer less stability than the system at present operating in the United Kingdom. As far as eggs are concerned it has to be remembered that the guaranteed prices are already being phased out and that there are no guaranteed arrangements for table poultry. Nevertheless, producers of eggs and poultry at present have some protection against imports from EEC countries; the loss of this protection would make for more unstable conditions as the enlarged Community would almost certainly be at least self-sufficient in these products.

There is also little doubt that prices for horticultural items subject to competition within the Community would be under considerable pressure; the additional protection against imports from non-member countries provided by the Community external tariff and other arrangements would be unlikely to provide more than a minor offset.

77. In a brief reference to the prospects for British agriculture and horticulture as a whole, the Government state in the White Paper that: *In the enlarged Community British farmers generally can expect better overall returns for their produce despite higher feed costs.* . An analysis carried out by the Union tends to support this view of the overall position. However, these judgements can be made only on the basis of a move from present UK to present EEC prices. This is inevitably somewhat unrealistic and the results could be misleading. It would be rash to overlook the fact that the Six made virtually no changes in agricultural prices between 1967 or 1968 and 1971.

Farm Structure

78. It is often said that one of the advantages which we would have in joining the Common Market would be a much better agricultural structure than our competitors possess in Europe. The average size of a British holding is about 88 acres as compared with about 28 acres in the Six. Indeed, these averages can be misleading. Although there are about 370,000 holdings in the United Kingdom, this figure is reduced to some 190,000 full-time viable farm businesses wh

ich account for 93 per cent of our total output. Even our smaller viable farms are on the whole larger than the typical holding in the Six.

79. It follows, however, that because of this structural advantage, our farmers stand to gain considerably less help from the money allocated from the Community's Fund for reform of agricultural structures. Although initially the UK's contribution towards the Community's budget will be moderate, it is expected to double by the end of the transitional period and could be as much as £300 mn by 1980. Britain would thus be making a relatively big contribution to the cost of financing the structural reform of European agriculture. So in time although changes are continuing in our own structure the relative advantage that we now possess could be significantly reduced.

80. There is also bound to be uncertainty about the way in which the common agricultural policy will evolve once Britain and the other applicant countries are members and can bring their influence to bear from within the enlarged Community. Regardless of the interests of our farmers, the Government may try to resist increases in Community prices in order to keep down the total cost of the Community budget and hence the United Kingdom's contribution to it.

<it>Competition</it>

81. On the other hand, provided that one of the consequences of membership of the Common Market was to put an end to the exceptional degree of cost inflation that we have suffered in recent years and that in consequence our costs did not rise more rapidly than those in Europe, then it might be argued that our greater efficiency in the production of a number of commodities would give our producers a competitive advantage. In addition, the generally higher cost of transporting goods from the Continent should give our producers a competitive advantage in the United Kingdom market; we would hope that we would also have an advantage on grounds of quality and freshness.

Equally, other members of the Community would have some natural advantages in their own markets; however, given the benefit of Community preference, our export opportunities should be considerably greater than they are at present. Our exports of food and feedstuffs to the rest of the enlarged Community are, according to the Minister, already worth some £100 mn, or about 5 per cent of our gross output. Future developments would of course depend, to a considerable extent, on the vigour of our own marketing efforts.

<it>Costs</it>

82. One of the main reasons why it is impossible to be dogmatic about the competitive position of British agriculture in an enlarged Community is that in general the development of the CAP has done little to harmonise costs. A natural exception to this is that the unification of cereal prices would normally bring about a closer approximation of animal feed costs between member countries; in addition the adoption of common external tariffs and internal free trade should lead to a greater similarity of some costs, e.g. machinery, fertilizers.

83. Labour costs can vary widely from country to country wages and social security costs in West Germany, the Netherlands and Belgium are generally higher than in the UK while, on average, rates in France and Italy are mainly below our levels.

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<ch>British agriculture outside the EEC</ch>

86. In forming a judgement of the advantages or disadvantages of membership of the EEC, farmers and growers obviously have to give some thought to what the long-term prospects for the agricultural industry might be if the United Kingdom remains outside the Community.

<it>Economic Growth</it>

87. Our case for a prosperous and expanding agriculture inside or outside the Common Market has for long been that by saving imports and helping the balance of payments, the nation could afford to pursue a steadier and higher rate of growth. The resources required by the agricultural industry for additional investment would represent only a small fraction of the extra national income thereby created.

88. In recent years, the United Kingdom economy has been relatively stagnant. For the present, there is a balance of payments surplus but this could be quickly eroded as the effects of inflation led to a higher import bill and to a fall in the price attractiveness of our exports. It may well be that outside the EEC, ways would be found to improve the rate of growth without further aggravating the problem of inflation, but in the Government's view and in the view of important sections of British industry and commerce, the most promising course would be for this country to become part of a European Community and so have access to a market of some 250 million people.

If this premise is accepted and it has to be recognised that it is not a universally shared opinion then staying outside the Community would be prejudicial to the prospects for agriculture. The fact is that agriculture is clearly more likely to prosper in an atmosphere of expansion than in an economy suffering from high unemployment, low investment and growing pressure to economise in Government expenditure.

89. The prosperity of agriculture of course depends not only on the state of the national economy but, among other factors, on the ability and willingness of the Government to pursue policies favourable to agriculture. It is therefore necessary to consider how these factors might operate if we remained outside the Community.

<it>Sovereignty</it>

90. Outside the Common Market, the Government would retain its sovereignty in the constitutional sense over all matters of national economic and social policy and would therefore be free to decide, as it does today, on its agricultural production, price and trading policies. The Agriculture Acts 1947 and 1957 would either continue or, if the present Government succeed in carrying through their policy, be modified to conform with the requirements of their decision to substitute a levy system for the present system of guaranteed prices and deficiency payments.

91. It is, however, debatable how much real sovereignty we would possess over our economic policy, including agricultural policy, if we remain outside the EEC. Our freedom of action in matters affecting agricultural trade is already limited by the commitments which we have undertaken in multilateral agreements such as the GATT and

d in bilateral agreements such as the Anglo-Irish Free Trade Area Agreement. Certainly most of these agreements can be brought to an end if the Government give due notice, but normally a price has to be paid.

For practical purposes, once we had signed the Rome Treaty, it would be exceedingly difficult, if not impossible, to withdraw from it. But, as things stand in the EEC at present, the retention of the unanimity rule means that the degree of sacrifice of national sovereignty is very much less than had been envisaged when the Rome Treaty was drawn up. Moreover, as it was agreed at the recent Heath/Pompidou meeting that both France and the United Kingdom would continue to support the unanimity principle, the effective difference between sovereignty outside and inside the EEC is probably only a matter of degree.

<it>Guarantees or Levies?</it>

92. Outside the Common Market, a British Government would be free either to retain for the main agricultural products, guaranteed prices and deficiency payments or, as the present Government are in the process of doing, move over to target prices and import levies; for horticultural products the existing import tariffs and quotas could be maintained.

93. More specifically, by the time of the next General Election, there could be a new Agriculture Act changing the system and levies would have been extended to other price review commodities beyond those in the present interim scheme. If at the next election there were a change of government, it might in practice be difficult to persuade them to turn back the clock. Producers could thus be faced with a situation in which they had the worst of both worlds – no firm price guarantees because of the Government's desire to minimise Exchequer support costs, and market prices kept below a remunerative level in the declared interest of consumers. All this is naturally highly conjectural but the risk must be faced.

94. Internationally, apart altogether from the constraints imposed by current trading arrangements, there is growing pressure on governments to adopt more liberal trade practices, and in this atmosphere it might be extremely difficult for any United Kingdom Government to fix import levies at the levels required to give adequate protection to home producers.

Indeed, if in spite of opposition it tried to do so unilaterally, the United Kingdom might become the object of retaliatory measures from other countries.

95. It should, however, be recalled that when in Opposition the present Government stated that, if they found the problems for any particular commodity could not be resolved through a levy system, then they would maintain the deficiency payments in their existing form for that commodity for as long as they might be required. The only doubt about an undertaking of this kind is whether in fact sufficient resources for the expansion of agriculture needed to achieve further import saving would be forthcoming if the cost of support were to fall mainly on the Exchequer.

<it>World Trade Pressures</it>

96. Another important consideration is that an enlarged EEC would be less likely, at the next world trade conference, to respond to the unreasonable pressures from either the richer agricultural exporting countries or from the developing countries. Any concessions would have to be negotiated on a Community basis. An enlarged EEC would probably seek to resolve world agricultural production and trade problems by taking the initiative to extend international commodity agreements (as now envisaged for dairy products) and to support an expanded world food programme. Though the United Kingdom's influence would almost certainly be outward looking, the position for British agriculture could not be treated in isolation from that of EEC agriculture as a whole.

97. Nor is there any likely alternative grouping outside the EEC from which Britain could derive new economic strength. Such alternatives as a World or North Atlantic Free Trade Area could be positively disadvantageous for agriculture as the countries involved would not be content, as EFTA reluctantly was, to confine free trade essentially to industrial products but would insist on greater access to our market for their agricultural products.

98. The conclusion of this analysis of the consequences of staying outside the EEC must be that the choice for the industry is not between the obligations of EEC membership and the <ita>status quo</ita> but between two different kinds of change. Outside the EEC, the repercussions for many sections of agriculture could be less favourable than inside the Community, with fewer opportunities for profitable expansion.

<ch>NFU s attitude to the terms</ch>

99. The Union has wisely refrained from taking up a pro- or anti-position on the general principle of Common Market membership. Our policy is to do all in our power to ensure that if the United Kingdom were to become a member of an enlarged Community the membership terms would be such as to provide prospects for farmers and growers to earn reasonable incomes and to increase their share of the market.

100. In this paper an attempt has been made to assess not only the points that the Government have raised specifically in the negotiations with the Six but also those matters which for one reason or another have not been directly discussed. Specific assurances have been sought by the Union's leaders about all the matters which are directly relevant to our policy objectives.

101. The agricultural negotiations between Britain and the Six have been concerned essentially with broad issues. If we join the Community, a vast amount of work will need to be done in establishing the detailed commodity arrangements for the transitional period. Assurances have been given by the Government that the Union will be fully consulted. One or two issues, notably animal health and trading with Eastern Area countries, remain unresolved from the negotiations. For our producers, these are of such outstanding importance that it is imperative they be satisfactorily resolved as quickly as possible to bring present uncertainties to an end.

102. As it is not possible to evaluate the results of the negotiations in any quantitative sense, the judgement at the end of the day must be a qualitative one. It must also take account of the circumstances that would be likely to confront the agricultural and horticultural industry in the event of the United Kingdom remaining outside the Common Market.

103. Our judgement is that, for the agricultural industry <ita>taken as a whole</ita>, the arrangements made, and the assurances given, should provide producers over the years immediately ahead with opportunities to increase their production and incomes in the conditions of an enlarged Community. It is also clear that for certain im

portant sectors of the industry, and particularly in horticulture, there will be painful problems of adjustment. There is a promise of Government help to ease this process and it will clearly be one of the major preoccupations of the Union's leaders to ensure that the Government carries out its commitments both in the letter and in the spirit.

104. So far as the longer term prospects are concerned, an assessment is clearly more difficult. This is particularly true of the remote geographical areas of the United Kingdom, often handicapped by extremes of soil and climate. It will be necessary to make every effort to ensure that these factors do not militate against the industry's profitability in these areas.

105. In arriving at a general view of the terms, perhaps the most pertinent factor has been the conclusion that the risks for British agriculture and horticulture in a United Kingdom standing alone would be as great, if not greater, than those arising from membership of an enlarged Community. The comparison is not between a future inside the Community and the *status quo*: it is between one form of change and another that for good or ill will undoubtedly affect the fortunes of us all.

106. The Government, in recommending membership to Parliament, have expressed their conviction that the prospects for British farmers are better inside than outside the Common Market. In his broadcast (8 July 1971), the Prime Minister said that we had got an agreement '*which will give our farmers opportunities of expansion they have never had before*'. The Minister of Agriculture expects the average annual rate at which agricultural production in recent years has been increasing 2 per cent to double if we join the Common Market and has identified cereals, beef, cheese, lamb and sugar beet as the key sectors where expansion may be particularly expected.

Three Conditions

107. If these remarks are to have a real meaning then they must be backed up by effective Government measures. *First*, producers' income and liquidity position must be established without delay at a level which will allow the additional investment to be undertaken. *Secondly*, plans must be made forthwith to ensure the necessary processing capacity is available. *Thirdly*, the Government by its policies can help producers respond to the opportunities in the sphere of marketing organisation. Throughout t

he industry, the time is in any event ripe for a new initiative in this direction and the Union is at present engaged in developing a completely new approach to marketing in the light of impending changes in policy whether or not we join the EEC. But our power as an industry to take advantage of the opportunities provided by membership is contingent upon the adoption by the Government of a more positive production and marketing policy and creating a framework in which as far as possible constraints upon efforts by producers to organise and promote better marketing arrangements for their commodities are abolished.

108. Only if these three conditions are satisfied will the expectations of the Government for the agricultural industry be fulfilled and the cost of entry into the EEC confined within tolerable limits.