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EXTRACTS FROM A SPEECH BY CHRISTOPHER TUGENDHAT, VICE-PRESIDENT
OF THE EUROPEAN COMMISSION, TO THE AGM OF THE EASTERN AREA
CONSERVATIVE COUNCIL AT BURY ST EDMUNDS ON 7 APRIL 1984

THE LONG HAUL TOWARDS CAP REFORM HAS BEGUN

THE FARM SETTLEMENT REACHED IN BRUSSELS LAST WEEKEND IS THE MOST IMPORTANT DEVELOPMENT TO HAVE OCCURRED IN THE COMMON AGRICULTURAL POLICY FOR TWENTY YEARS. AT LONG LAST THE AGRICULTURE MINISTERS HAVE FACED UP TO THE FACT THAT FARMERS CANNOT GO ON PRODUCING UNLIMITED QUANTITIES OF SURPLUS PRODUCTS AT THE TAXPAYER'S EXPENSE. BRITAIN FOR MANY YEARS HAS BEEN PRESSING FOR THIS SIMPLE BUT VITAL PRINCIPLE TO BE ACCEPTED. ALL POLITICAL PARTIES IN THIS COUNTRY SHOULD THEREFORE WELCOME WHAT HAS BEEN ACHIEVED.

OF COURSE THE END OF UNLIMITED GUARANTEE ARRANGEMENTS CAUSES DIFFICULTIES FOR SOME FARMERS. IT IS UNDERSTANDABLE THAT SOME SHOULD BE WORRIED ABOUT THEIR FUTURE AND ATTACK WHAT HAS BEEN DONE. BUT MONSIEUR MICHEL ROCARD, THE FRENCH PRESIDENT OF THE E COUNCIL, MR MICHAEL JOPLING AND THEIR COLLEAGUES HEARTY VOTE OF THANKS FROM THE TAXPAYER.

ALTHOUGH BRITAIN HAS FOR LONG BEEN PRESSING FOR THE CAP TO BE RUN ON MORE ECONOMIC AND COST-EFFECTIVE LINES, IT IS NOW BEING SUGGESTED BY SOME IN THIS COUNTRY SOMEHOW

THE ARGUMENT IS BASED ON THE FACT THAT IN SOME COUNTRIES PRICES IN NATIONAL CURRENCIES HAVE BEEN INCREASED WHILE IN BRITAIN, ALONG WITH GERMANY AND HOLLAND, THEY HAVE BEEN REDUCED. HOWEVER, THIS LINE OF REASONING OVERLOOKS TWO VITAL POINTS. ONE IS THAT INFLATION RATES DIFFER WIDELY WITHIN THE COMMUNITY. IN THOSE COUNTRIES IN WHICH NOMINAL PRICES HAVE RISEN INFLATION IS IN GENERAL HIGHER THAN IN THE UK. THE OTHER IS THAT IN BRITAIN, GERMANY AND HOLLAND FARMERS WERE GETTING SIGNIFICANTLY HIGHER PRICES IN REAL TERMS BEFORE THE SETTLEMENT THAN THOSE RECEIVED BY THEIR OPPOSITE NUMBERS IN OTHER MEMBER STATES.

EVEN AFTER THE SETTLEMENT SUPPORT PRICES IN BRITAIN ARE STILL ABOUT 1 1/2 % ABOVE THE LEVELS RULING IN THE MAJORITY OF MEMBER STATES, INCLUDING FRANCE, DENMARK AND IRELAND.

IT IS ALSO POINTED OUT THAT BRITAIN WILL HAVE TO MAKE LARGER CUTS IN MILK PRODUCTION THAN SOME OF ITS PARTNERS. THIS IS TRUE. BUT IT REFLECTS THE FACT THAT THE RATE OF INCREASE IN THE OUTPUT OF MILK - THE MOST IMPORTANT SURPLUS PRODUCT IN THE COMMUNITY - HAS IN RECENT YEARS BEEN FASTER IN BRITAIN THAN IN MOST OTHER PLACES.

IT IS PERHAPS UNDERSTANDABLE THAT IN THE IMMEDIATE AFTERMATH OF THE SETTLEMENT, BEFORE THE DETAILS HAVE BEEN FULLY DIGESTED, FARMERS IN EACH MEMBER STATE SHOULD FEEL THAT SOMEONE ELSE HAS ESCAPED MORE LIGHTLY THAN THEY. INDEED, IT IS STRIKING TO NOTE THAT ALL GOVERNMENTS ARE HAVING DIFFICULTY IN CONVINCING THEIR FARMERS THAT JUSTICE HAS BEEN DONE. I BELIEVE HOWEVER THAT THE BURDEN HAS BEEN EQUITABLY DIVIDED, BEARING IN MIND THE DIFFERING CIRCUMSTANCES OF THE FARMING COMMUNITIES AND THE NATIONAL ECONOMIES WITHIN THE EEC.

BRITISH FARMERS HAVE TWO GREAT ADVANTAGES COMPARED WITH THOSE IN MANY OTHER COUNTRIES WHEN IT COMES TO OPERATING IN A MORE CHALLENGING ENVIRONMENT. ONE IS THE HIGH LEVEL OF EFFICIENCY THAT CHARACTERISES FARMING IN THIS COUNTRY AND TO WHICH I PAY TRIBUTE. THE OTHER IS THE FACT THAT THE RATE OF INFLATION IN BRITAIN IS AT THE LOWER END OF THE COMMUNITY SCALE. CONSIDERABLE SCOPE REMAINS FOR BRITISH FARMERS TO EXPLOIT THESE ADVANTAGES, IN PARTICULAR THROUGH LOWER PRODUCTION COSTS RATHER THAN HIGHER LEVELS OF OUTPUT.

MUCH WORK STILL LIES AHEAD FOR THE COMMISSION AND FOR THE AGRICULTURE MINISTERS. IN THE SHORT AND MEDIUM-TERM, AGRICULTURAL EXPENDITURE WILL CONTINUE TO RISE AT AN ALARMING RATE SINCE THE PRODUCTION CONTROLS WILL TAKE TIME TO BITE AND THERE IS A VAST OVERHANG OF STOCKS TO BE DISPOSED OF. THIS WILL BE AN EXPENSIVE OPERATION. IT IS THEREFORE VITAL THAT AS TIGHT A REIN AS IS CONSISTENT WITH THE LONG-TERM ECONOMIC AND SOCIAL HEALTH OF THE AGRICULTURE INDUSTRY SHOULD BE KEPT ON COSTS IN THE YEARS AHEAD. THIS WILL BE PAINFUL. BUT IT IS NECESSARY IF THE COMMUNITY IS TO DEMONSTRATE THE SAME RESPONSIBILITY IN THE USE OF PUBLIC FUNDS AS IS EXPECTED OF NATIONAL GOVERNMENTS AND IN ORDER TO FREE COMMUNITY RESOURCES FOR USE IN OTHER SECTORS.

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