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The following are extracts from a speech by Christopher Tugendhat, EEC budgets Commissioner, to the Cheshire Branch of the NFU, Crewe, July 20, 1978

It is widely believed in the UK that the CAP, designed as it was for a Community of Six, has an inherent tendency to produce policies detrimental to the UK.

Personally I have always contested this. It is my belief that, given the sweeping changes which have occurred in recent years in the world's economy and food supply, and the likely future trends, the question of price stability and security of supply has become sufficiently more important to justify paying a premium in terms of the actual level of prices. As a result the CAP is in fact not such a bad fit for the UK as it is often supposed.

It is, however, too expensive, takes too large a share of the Community budget, and produces too many surpluses. As I have often said before, it needs to be reformed in a number of ways, some quite far reaching. This need for a close look at the CAP has now been recognised at the highest level, by the Community Heads of Government at the recent European Council meeting in Bremen. The Commission has been called upon to produce a report on the workings of the Community's agricultural policy.

One of the criticisms which I, as Budgets Commissioner, have levelled against the CAP relates to the way in which the major decisions are taken in the Council. I do not believe it is right that questions which are of such far-reaching economic significance should remain so firmly in the hands of Agriculture Ministers. I would like to see other ministers more directly associated with the annual price review, especially the Ministers of Finance.

However, the CAP is already changing. It is a policy which - as my colleague Finn Gundelach recently stressed - allows in itself for a large degree of flexibility. In truth it has never stood still, but has been adapted to the changing needs of the Community, first of Six and now of Nine. Thus it is that we are now pursuing a policy of prudent price increases in an attempt to help curb the Community's agricultural surpluses.

In the same way, the Commission has demonstrated the adaptability of the CAP in producing a proposal to take account of the particular peculiarities of the Community lamb market - the predominance of only two Member States (Britain and France) in the market, the traditional British imports from New Zealand, the considerable differences between the prices and consumer habits currently ruling in the different Member States.

The regime proposed also reflects the increasing disillusionment in the Community with expensive market intervention arrangements. There will be no intervention buying, no export refunds, no monetary compensatory amounts; the Commission does not believe these to be necessary in the case of sheepmeat.

As for imports, again lamb is rather particular. We import a large slice of our needs and we have an international commitment towards New Zealand not to restrict access. The Commission is therefore proposing a liberal import regime which for the UK means no change from the present arrangements.

There are two widespread - and totally erroneous - beliefs currently prevalent here. First, that the Commission wants to force prices in the UK to French level: and secondly, that we want to deprive consumers of access to cheap New Zealand frozen lamb.

In fact, neither of these fears is justified, as has now been recognised by the House of Lords in its recent report on our proposals. There will not be a massive price rise for fresh lamb in the UK. The Commission has proposed that the Community "basic" price should be fixed at the weighted average of existing prices in the various Member States, which means that it will be somewhere above the present UK price but below the present French price.

As to the New Zealand angle, I must stress that the Commission is fully aware of the importance for New Zealand of its agricultural exports to the UK markets, and has always recongised that special provisions were necessary to take account of this.

We have always said that, in setting up any sheepmeat regime, we would respect our international commitments and that is precisely what we are proposing to do. The import charge we propose in our regime - though variable - will not be allowed to exceed the present 20% tariff. There is no suggestion anywhere of quantitative restrictions. These would conflict with our international commitments. There is no reason here why New Zealand lamb should be any dearer than it would be in the absence of a regime. There is certianly no question of our pricing New Zealand lamb out of the market.

Indeed, I would like to say here and now that I believe New Zealand lamb will be coming to Europe - and providing our Sunday joint - for as long as New Zealand cricketers will be coming to England, in other words as far ahead as anyone can see.

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