Embargo : 1200 on Thursday 22nd May

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THE RT. HON. GEORGE THOMSON :
ADDRESS TO THE FARMERS UNION OF WALES
ABERYSTWYTH, THURSDAY 22nd MAY AT 12.00

I am really grateful for your invitation to speak at your conference. It has come at a time of political decision about an issue in which I have been deeply involved. It has come from Wales, a country which I am proud to regard as part of the constituency of the underprivileged which I now represent in the European Community - a constituency which stretches from your rocky coasts and industrial deserts to the depopulated border areas of Germany along the Iron Curtain, from Greenland's icy mountains to Sicily's golden sands.

Your invitation has come from a country whose living is won from those industries on which the European Communities have concentrated their work. The European Communities' first work was with the coal and steel industries. Long before there was ever a European Common Agricultural Policy, in 1952 was founded the European Coal and Steel Community. Coal and steel were two European industries which, it was already clear then, present problems that are particularly appropriate for tackling on the basis of cooperation on a European scale. It is worth remembering the reason for pooling Europe's coal and steel industries. It was because they had been the prize in successive European civil wars into which we had inexorably been sucked. The Coal and Steel Community was not created to make capitalism more profitable; but to make war unthinkable. And if coal and steel are Europe's problem industries, what country more European than Wales ?

In the next phase of its development, the European Community concentrated above all on agriculture, the third great industry of Wales. Now, in the current phase, since British membership, the fastest expanding area of EEC work is regional development policy, which has a special importance in all parts of this country. So who more concerned with our European Communities, who more concerned a fortnight from today to get the right answer for the future, than the steelworkers, the miners and the farmers of Wales ?

Your invitation has come at a time of economic adversity. I have just been in South Wales. There I have been pointing out how the difficulties of the steel industry are now a European problem. As a result, Welsh steelworkers are entitled to draw on the resources not only of England and Scotland and Northern Ireland, but the full capacity to help of the European Community: the European Community as a whole, with six times the wealth of Britain but a much smaller share of problems. And that is why £ 8 million for the steel modernisations at Port Talbot, £ $14\frac{3}{4}$ million at Llanwern and £$15\frac{1}{2}$ million at Ebbw Vale is now coming from Europe. That is why the modernisation and re-expansion of the Welsh coal steel industry is now a European objective, and so the European Community is lending the N.C.B. a good part of the cost of Wales's brand new coal mine at Bettws. In just the same way, the efficiency of Welsh food manufacturing is now a European concern. And that is why the EEC is giving over £800,000 in non-repayable grants towards up-to-date cheese and whey processing factories at Maelor and Llandyrnog in the North of Wales.

Economic adversity is nothing new to the people of Wales, and I am sure the Welsh farming community expects to bear its share of hard times. Yours is not the arable country of Eastern England, with cereal and sugar beet farmers looking forward to a future of rising yields and rising quotas. Livestock production, like motor-car production, has in the last year or two been [illegible]. I [illegible] far-sighted leaders of British farming, including leaders of the FUW, who believe that in the long term the many difficulties facing agriculture can best be solved in cooperation with the European Community.

Meanwhile, in the short term, we have seen confounded the myth-mongers about the Common Market. I am very used to these scare-mongers in many other fields besides agriculture, and I cannot think of a single instance in which events have borne them out.

In the livestock farming sector, EEC rules did not stop British milk farmers getting their biggest ever increase in the guaranteed price last October. They did not stop another increase this February. And I think fears about the future of the marketing boards have been much exaggerated; I am confident that there will not be a conflict. Closer acquaintance with Britain's marketing boards has perhaps made their value better recognised on the continent. Indeed the French recently set up a kind of milk board of their own.

There have been worries in the dairy processing trade about the planned EEC fat content rules for liquid milk. Here, because we recognise the adaptation problem for parts of the dairy trade, nothing is yet finally settled in Brussels. For the farmer it should make no difference, for anything you may lose on drinking milk you stand to gain by selling more for butter. And that would be in the general national interest, enabling Britain to cut down on her import bill for butter.

Then there has been some anxiety about the Commission's suggestion, in our stocktaking of the CAP, of a two-stage annual price review for milk. Of course, this system cannot come in next year without the consent of the Council of Ministers, including the British Government. Frankly, we were faced with a choice of evils. If there is a risk of surplus, something has to be done; we cannot start selling butter to the Russians again. I am confident that, with a common price, British milk producers will have no difficulty in holding their own with their opposite numbers on the continent - which is not to say there are not some things to be learned from the other side of the water too, perhaps from the Dutch and the Danes.

In another sector of special concern to your members, EEC rules did not stop the special beef premiums, to guarantee an average return of £18 per hundredweight, that British beef farmers needed last winter. They did not stop the new system of premiums for this season, which allow a guarantee of £22 per hundredweight.

I know that when, earlier this year, pending the introduction of this new premium system, the traditional cattle import trade from the Irish Republic was causing you particular difficulty, the monetary compensatory amount system rather added to the problem. In the Commission we are working for the day when international financial restabilisation makes this compensatory amount system redundant. But meanwhile, we have already made progress, with two changes in the green £ since October last year and March this year. These changes meant an extra price rise in the European price award reviews for British andIrish farmers, on top of what your colleagues on the continent got. Remember, though, that these green £ changes cannot be made without the British Government's consent, and we and they have also to take into account the big benefits the British consumer gets from the present EEC built-in price freeze system for imported food. I shall come back to this later to show how it affects butter.

Nor, as many people were saying a few years ago, have EEC rules put a stop to Britain's system of hill farming grants. Quite the contrary, as it has turned out. Far from giving trouble, the European Community is giving money.

Before British entry to the Community, there was much anxiety about the future of Britain's hill farming grants. Our system seemed to be against all Community tradition, if not actually against the rules. Surely it would have to be phased out during the transitional period ? Yet in 1975 what has happened is that the Community has adopted a British-type system as its own, and is requiring all the other Member States to introduce it. What is more, the Community is actually providing money to finance this system of income supplements.

The amount of money in the hill farming scheme is about £13 million a year for Britain, including about £6 million for Scotland and £3 million for Wales. But it is a clear financial gain, whichever way you look at it. Britain will have the largest share of any country in the hill farming money, about the same as her 28% share in the Regional Development Fund. That is comfortably in excess of her share in the contributions. Moreover, getting this money from the Community will not involve Britain in putting up more money of her own in the national agricultural budget than she might otherwise have wished. The Community scheme means a straightforward reduction in British public expenditure - a saving to the taxpayer without any loss to the farmer. Lastly, you will know that the rules of the Community's Agricultural Fund mean that the alternative to spending money on hill farming is not simply reducing the Community budget. The alternative would have been saving the money up in the Mansholt Reserve until it could be used for something else. And that would no doubt have been less good for Britain, and less good for my cause of regional development.

Aside from the money, what is interesting and significant about the Community's hill farming scheme is the departure it represents from what were thought to be the principles of the CAP. People said that the Community and the old British systems of price support were polls apart, the one relying on deficiency payments to supplement the world market price and the other consisting entirely of end-price support. With the hill-farming grants and with the beef premium scheme that the British Minister of Agriculture has persuaded the Community to agree to, we have seen two substantial derogations from exclusive reliance on end-price support. The Commission, for our part, have said in our Stocktaking of the CAP that this innovation of direct income support may need to be extended to other situations also.

Yet these moves towards direct payments to farmers are certainly a departure from traditional EEC methods of price support. Why have they been introduced ? Because the Community is the first to recognise that circumstances have changed, and political necessities along with them. I hope it is fair to say that a British vote at the EEC table contributes a lot to this pragmatism and common sense. So, another victory for common sense in the Common Market. The more you get to know about it, the more you find out: the Common Market is common sense.

Common sense in an agricultural policy means stability, security, and sensible innovation. This goes for the consumer as well as for the farmer. The Consumers' Association put it well the other day: 'Europe is the best buy' they said. Europe is the best buy for the consumer because it means continuity and stability of supply. On the opposite side of the coin, it offers the farmer the best market conditions - greater continuity, greater stability. The farmer's and the consumer's interests coincide much more than many people think - and they do on the European issue. Food prices nowadays go up much more with the cost of transport, manufacture and distribution than they depend on what the farmer gets, whether in Wales or in New Zealand. But the more food we grow at home or buy in the Common Market, the bigger the element of stability in food prices in the future.

Take the case of sugar. There were two things that send the price of sugar sky-high last winter - when you were lucky enough to be able to get any at all - and two things on the other side that stopped the situation getting completely out of control. On the bad side were the fact that the world market price went up to ten times what Britain paid a couple of years ago. On the good side was the fact that, thanks only to membership of the Common Market, Britain could draw on continental sugar at the lower EEC price. If there had not been bad weather on the continent too, that might have been enough. As it was, we still had to import some dear world market sugar, and here came in the second point on the good side: the fact that the Common Market paid us a generous subsidy on those imports. At the height of the crisis, the EEC sugar subsidy for Britain was running at the rate of 20 pence per 2 lb packet.

Now look at the causes of the sugar trouble and what Britain without EEC help could have done about them. What democratic national Parliament is it that controls the weather? What sovereign Parliament can determine dealings on the world commodity markets, for sugar or for oil ? The Common Market sugar price did not go up ten times, like the world market price did. Because Common Market farm prices are under democratic control, not speculators' control.

Most people know these facts about sugar now, and will be saying that I choose to talk about sugar because it is the best example for my side of the argument. All right, then let me go to the other extreme and stand on my weakest ground : butter. What is the truth about this tax on New Zealand butter that the anti-Marketeers are always going on about ?

The so-called Common Market butter tax is the tax the British housewife doesn't pay. Quite simply because she more than gets it back again in subsidies. Here are the current figures, in pence per half-lb packet : EEC consumer subsidy 1.07p, UK consumer subsidy 4.14p, EEC monetary compensation subsidy 1.65 p, total subsidies 6.86 p. The gross rate of tax is 5.34 p. So the net rate of tax is <u>minus</u> a penny-halfpenny ($1\frac{1}{2}$p)

What is wrong with that then ? What is taken away with one hand is more than given back with the other. You never saw a redder anti-Market herring.

What you pay for New Zealand butter is roughly what you have always paid: the return to the New Zealand farmer plus the costs of transport and distribution. Of course all these things have gone up, the same as everything else. But the so-called Common Market tax - import levy is the proper name - just does not come into it.

And note that the proceeds of the levy do not affect what Britian pays into the Community budget either. Even it they did, we know that money contributed to the Community budget, far from being a dead loss, is a good investment - recent

Government figures showed that Britain made a net profit of £35 million last financial year out of payments to and from the EEC.

So the New Zealand butter arrangements just mean extra income for the British exchequer, which they pay out again in subsidies. And better still: of the consumer subsidy on butter in Britain, more than 20% is paid by the Common Market farm fund. They doubled their contribution recently. Then on top of that subsidy comes the next one - the monetary subsidy, fully paid for by the Common Market farm fund, to compensate for the fall in the value of the pound sterling. This monetary subsidy has been coming to quite a lot of money recently, as you can imagine, especially as it is not only paid on butter; altogether it brought in about £50 million from Brussels to Britain last year, and another £50 million already in the first four months of 1975. Every percentage point that the £ floats down means about another £1 million a month for Britain under this Common Market system.

All of which helps to explain the simple fact that, despite all the nonsense that is talked about butter and the Common Market, it is the price of margerine that has gone up much more. It helps to explain why it is perfectly true that, while the EEC makes some foods cheaper and others a bit dearer, on balance, taking all foodstuffs together, membership of the Common Market is making no significant difference one way or the other to the price of food in British shops.

Two months ago, as part of the Government's renegotiation of the terms of EEC membership, agreement was reached on continuing the arrangements for importing New Zealand butter for the period after the first five years already provided for. This was good news. But the real problem with New Zealand butter recently has not been the quotas or the levy, the things that anti-Marketeers talk about. The real problem has been that the New Zealanders have been short of supplies to send to us, and have been wanting us to pay a higher price for what they have available. So, in 1973, under the Common Market arrangements, we were expecting 166,000 tons of butter from New Zealand; but they sent us only 132,000. In 1974 the Common Market arrangements provided for 159,000 tons, but we got only 117,000. New Zealand has been finding the American market more lucrative - much the same story as sugar.

No wonder then that the New Zealand Prime Minister says "Now we operate in a different world. For Britain, Europe has come to have overriding significance. This is something we accept as natural." Or that the Australian Prime Minister says "It is about time that all this shilly-shallying was ended. I do not want to give any impression that the present Australian Government sees any advantage for Australia, for Europe or for the world in Britain leaving the Community". A bit rough, perhaps, for the old-fashioned sentimentalists among the anti-Marketeers over here. But why should the Australians and the New Zealanders have said these things if they did not mean them ? Plain speaking from old friends - another thing we have to thank them for, and remember on 5th June. Old friends and new, at home and abroad, are all saying the same: the Common Market makes common sense.

EMBARGO : 1200 on Thursday 22nd May 1975

THE RT. HON. GEORGE THOMSON ADDRESS THE FARMERS UNION OF WALES ABERYSTWYTH, 22ND MAY 1975

P R E S S   R E L E A S E

Wales, said Commissioner George Thomson, has long won its living from coal and steel and the land. Coal and steel were the industries upon which the European Communities were founded. Next came a Community Agricultural Policy. If coal and steel and agriculture are a European problem, what country more European than Wales ?

Mr. Thomson was addressing the Annual Conference of the Farmers Union of Wales in Aberystwyth.

Since British membership, said Mr. Thomson, the fastest expanding area of EEC work is regional development policy which has a special importance throughout Wales. So who is more concerned with our European Communities, who is more concerned a fortnight from today to get the right answer for the future than the farmers, the steelworkers and the miners of Wales ?

Rather than seek to run down or ruin these industries, as some scare-mongers would have it, the Community has shown tangible evidence of its faith in the future. It has done so from its pocket.

Welsh steel-making, coalmining and farming are now entitled to draw on the resources not only of Britain but on the full capacity to help of the European Community. That is why, said Mr. Thomson, so much of the money for steel modernisation at Port Talbot, Llanwern and Ebbw Vale - £38 million so far - is now coming from the European Community. It is also why the Community is putting up a good part of the finance for Wales's new coal mine at Bettws, nearly £ 2½ million. That is why the Community is putting up over £800,000 in non-repayable grants to help build modern plants for processing dairy produce at Maelor and Llandyrnon in North Wales, and at Johnstown in Carmarthenshire, as well as further substantial sums for improved bulk milk collection in Wales.

Economic adversity, said Mr. Thomson, is nothing new to the people of Wales, and he paid tribute to the far-sighted leaders of British farming, including the leaders of the FUW, who recognise that the difficulties now facing agriculture are no more the Common Market's fault than are the difficulties of the motor car and steel industries. In the long term they can only be solved in cooperation with the European Community.

Mr. Thomson refuted claims that the EEC stops Britain taking measures which it needs to take. EEC rules did not stop British milk farmers getting their biggest ever increase in the guaranteed milk price last October, and another one in February. Nor did he believe in the fears concerning the future of marketing boards. On the contrary, closer acquantance with Britain's marketing boards has made their value better recognised on the Continent. The French recently set up a kind of milk board of their own. Nor did the EEC rules stop the special beef premiums that British farmers needed last winter, nor the new system of premiums for this season.

Nor have EEC rules put a stop to Britain's system of hill-farming grants, an issue of crucial importance to Wales. On the contrary, far from giving trouble, the Community is giving money and for Wales this means £3 million of EEC money coming in every year in grants for Welsh hill-farmers.

These moves towards direct payments for farmers are a departure from traditional EEC methods of price support. They have come in because the Community is the first to recognise that circumstances have changed. It is a victory for common sense in the Common Market. And the more you get to know about it, the more you realise that the Common Market _is_ common sense.