

EMBARGO: 09.00 HOURS, TUESDAY, JANUARY 5, 1982

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TUGENDHAT CALLS FOR BRINGING THE CAP UP TO DATE

Mr Christopher Tugendhat, Vice-President of the Commission of the European Community, suggests that the Common Agricultural Policy (CAP) should be brought up to date to enable it to cope with economic and political changes since its inception twenty years ago. However its basic principles should continue to be respected as they are as valid today as ever, he declared in a speech at the Oxford Farming Conference on 5 January.

Mr Tugendhat, Britain's senior Commissioner in Brussels, pointed out that the Community had enlarged from six to ten during the CAP's lifetime and may soon become twelve. Production conditions had changed considerably, and the balance of interests between different sectors within the economy had altered. Over the last ten years agriculture's share of total Community employment had fallen by over a third.

Other factors include the general economic situation of the Community as well as its relations with the outside world. The Community could not ignore some claims from outside that it is unloading upon its trading partners the burdens of its own internal support arrangements.

The Commission's own guidelines for European agriculture already submitted to the European Council would have a considerable bearing on the forthcoming price proposals that the Commission would soon be submitting.

"Their principal components are these:

- First the Commission considers that the basic principles of the Common Agricultural Policy remain valid and should therefore remain intact.
- Second it is necessary to make adjustments in the policy in order to take account of developments that have occurred since the policy was established.
- Third the Commission does not wish to impose arbitrary restraints upon production. It does however consider that producers should feel in a relatively direct manner the economic consequences of their production decisions to the extent that the effect of these decisions is to create problems of disposal.
- Fourth, stricter discipline should be applied in the matter of national aid measures.
- Fifth, steps should be taken through direct income subsidies to support farm income. Consideration should also be given to the scope for a possible future extension of direct subsidies in the light of trends in prices and agricultural incomes.

"With cereals we believe the policy should be modified through a lowering of the price relative to other products and by bringing our prices progressively into line with those of the other main producer areas....

"With dairy products we consider that it is necessary to continue, at least for the time being, with a linear levy. Useful as it is this levy is not an efficient instrument to curb the impact on the budget of the effects of additional output. It is this additional output that is at the root of a significant part of the current budget difficulties. The Commission considers that effective action needs to be taken and, having examined different options, in particular that of cutting support prices, considers that supplementary levies should be introduced. The rate of levy to be fixed at so as to ensure that when increase in output outstrips the increase in consumption the reward to producers in terms of price should reflect the true value of the additional output. If this instrument is not accepted then, in order to tackle the underlying problem, an alternative, possibly a price reduction, will be needed."

Mr Tugendhat said he was aware of opposition to the proposals from farmer's organisations:

"I do not believe that the current arrangements can continue in an unmodified fashion, nor do I believe that representatives of the agricultural industry consider that they may either. No policy can be healthy whether organized at a national or Community level that ignores market requirements and budget constraints..

"We in the Commission are often accused of discriminating in favour of foreigners and against the British. The British also often feel that they are the only ones to observe rules and that others cheat...

"Let me say that I have run into exactly the same feelings and accusations in France, Italy, Holland and other Community countries, both in relation to their trade with each other and in relation to their trade with the United Kingdom...

"What everyone should be prepared to recognize is that whatever package of measures is finally placed before Ministers for decisions, cannot hope to succeed if it really contains unfair burdens for any types of producer or for any countries and I do not believe that ours does...

"In my view an unwillingness to change in the face of changed circumstances borders on the irresponsible. There is far too much at stake not only for the Community as a whole but for each Member State, including the United Kingdom...

"I think it interesting to note that the share of national expenditure on agriculture in the Community accounted for by the United Kingdom is in excess of the United Kingdom's share in Community agricultural output. Thus, at least in terms of overall figures, it is difficult to argue that British agriculture is less favoured than other Member States...

"The Commission is very much aware of the problems caused by illegal aids and intends to apply a stricter discipline over these aids... Our powers of control, when faced with a stubborn Member State, are limited but we do have one lever, namely to refuse to reimburse a Member State for CAP expenditure where this has been distorted through illegal national aids. I will certainly strive to use this lever to its fullest extent in the future...

Mr Tugendhat denounced the plans for Britain's withdrawal from the European Community being put forward in the Labour Party especially the hypothesis that the pattern of the industry would return to something like it was prior to entry.

"Just think for a moment what this means to your farms and to British agriculture generally. I can tell you that it means in terms of reduced annual output. It means 5 million tonnes less cereals, some 170,000 tonnes less poultrymeat, over 100,000 tonnes less beef. It also means a reduction of butter, cheese and milk powder production to about half their current levels. I can indicate what it

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means in terms of lost employment; it runs into tens of thousands and could even go into six figures. What I need not do is even to suggest what it would do to your livelihoods - everyone can do that without the benefit either of a calculating machine, or the back of an envelope.

"For these reasons I think that everyone concerned with British agriculture should consider carefully and objectively the need for adjustments to be made in the existing policies in order to accommodate new conditions. I am convinced that an exercise along these lines can only lead to the conclusions that remedial action is necessary not only to secure the well being of the patient but to avoid major and painful surgery."

Earlier in the speech Mr Tugendhat said:

"Agriculture is one of the most successful of all industries in terms of productivity increases and the development and adoption of new technology. Moreover in terms of technical performance Britain's agriculture is among the best in Europe...

"This is a success which I wish those European industries faced with rising demand for their products could match. Unfortunately, in your case the increases in output that you have secured have not been matched by a similar increase in demand. As a result the Community has moved from being a deficit area into a producer of surpluses."

"For wheat the selfsufficiency ratio in the late 70s was about 105%, whereas in the late 60s it was about 94%. The corresponding figures for sugar are about 120% and 82% and for butter about 110% and 90%.

"Now let me make it quite clear that I do not believe that Europe's transformation from being a net importer into a net exporter should of itself be a matter for criticism. Far from it...

"The criticism that can however justifiably be made of the development of output in the Community, particularly to the point where surpluses are generated is that the true value of much of the additional output is significantly lower than the price obtained by the producer...

"One important consequence of the development in output, coupled with the nature of Community support systems is that the cost of exports from the mid-70s, and discounting the effect of the very high world market prices during 1974, to the end of the 70s increased from around £500 million sterling to about £2500 million sterling.

"The overall effect of these various cost increases - export refunds, international aids, deficiency payments and so on - was that Community expenditure on agricultural support increased by around 23% per annum in the second half of the last decade. Thereafter, of course, there was a dramatic drop in the annual growth rate to about 12%. But even that is roughly equivalent to the rate of increase in the Community's financial own resources. If sustained, therefore, it would mean that other Community policies could not be developed or that the Community would quickly reach the limit of its current financial capacity..."

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